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FINANCIAL TIMES

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WORLD NEWS

Marcinkus warrant overruled

Italy's Supreme Court unexpectedly declared null and void yesterday the arrest warrants issued for Vatican Bank chairman Archbishop Paul Marcinkus and two other officials charged in connection with the 1982 Banco Ambrosiano crash.

The Court of Cassation in Rome had been expected to uphold the warrant issued by Milan magistrates. It is not yet clear if the ruling will mean Mgr Marcinkus will be able to avoid being tried *in absentia*. Back Page

De Lorean withdrawal

The Government withdrew a grants offer to a company which wants to buy the former De Lorean factory in Belfast after finding a leading figure had been jailed for deception.

Poindexter 'chilling'

The testimony of Rear Admiral John Poindexter to the Iran-Contra hearings was "chilling," said co-chairman Senator Daniel Inouye. Back Page

Baker warns schools

State schools which vote to opt out of local authority control will not be able to opt back in again, Education Secretary Kenneth Baker said. Page 4

Air near-miss inquiry

The Civil Aviation Authority ordered an inquiry into how a British Airways jumbo jet came within 600 yards of an RAF Hercules over Carlisle

East German amnesty

East Germany abolished the death sentence and declared an amnesty for all prisoners except Nazi war criminals, spies, murderers and those convicted of crimes against humanity.

Howard keeps post

John Howard retained the leadership of Australia's opposition Liberal Party, defeated in last week's federal election. Page 3

Israel to review entry

Israel is to review entry procedures following US protests at alleged discrimination against black and Arab Americans at Tel Aviv airport.

Hassan home early

King Hassan of Morocco is to fly home today, ending his visit to Britain nine days early, because of "duties back home."

Floods hit Bangladesh

Flash floods have killed at least 10 people and made 10,000 homeless in southern Bangladesh in the last three days.

Typhoon toll grows

The number of deaths confirmed after Typhoon Thelma hit South Korea rose to 77, with 162 people still missing.

Yugoslav pay rise

Over 400 Yugoslav coal miners ended a three-day strike after winning a 50 per cent pay rise.

Hopkins wins award

British actor Anthony Hopkins won the best actor award at the Moscow Film Festival for 84, Charing Cross Road. Best film was Fellini's The Interview.

Alfie Bass dies

Stage and screen actor Alfie Bass, star of the television series Bootsie and Snudge, died of a heart attack, aged 70.

Heavy breather

An Italian hotel charged a tourist an air conditioning supplement for his wife "because two noses breathe more air than one," an Italian consumer organisation said.

BUSINESS SUMMARY

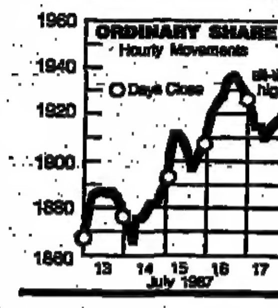
Dollar regains ground

THE DOLLAR rose strongly yesterday, more than wiping out its losses after Thursday's news of a widening in the US trade deficit. Foreign exchange dealers were hard put to explain the recovery, which saw the US currency closing in London at DM 1.8585 against DM 1.837 on Thursday.

Sterling remained firm against the D-Mark, in spite of repeated Bank of England selling of pounds against the West German currency to keep it below DM 3. It closed at DM 2.99 against DM 2.995. However, the pound dropped against the surging dollar to close at $1.6085 after $1.631. Currencies, Page 12

EQUITIES fell in London as the expected technical shakeout ended almost two weeks of consecutive gains. The FT Ordinary Index lost 9.3 to close

FT Index



at 1,916.9, a gain on the week of 48.1. The FT-SE Index closed down 14.7 at 2,428.7, ending the week up 46.7. Stock market, Page 12

STOCK EXCHANGE member firms are to be penalised heavily for missing deadlines for processing paperwork on share transactions. Back Page

HARVARD SECURITIES' application for Stock Exchange membership has been rejected by the membership committee after a year-long wait by the UK's largest unofficial over-the-counter market-maker in securities. Back Page

RONALD JENKINS was fined £10,000 after admitting using his position as former private secretary to Lord Cayzer, chairman of the British and Commonwealth Shipping group, to carry out insider trading share deals. Page 4

BUILDING SOCIETY mortgage lending topped £3bn last month for the first time this year—rising from £2.8bn in May to £3.2bn. Page 5

BRITISH AIRWAYS' merger with British Caledonian faces a campaign of opposition from leading independent airlines. Back Page

SPIDERMAN and the Incredible Hulk entered the bid arena as New World Pictures, US parent of Marvel Comics, launched a $500m (£306.7m) takeover offer for Kenner Parker Toys. Page 10

CANADIAN Imperial Bank of Commerce, the country's third largest chartered bank, and Gordon Capital Corporation are to form an investment bank to compete with the emerging international giants. Page 10

SAATCHI & SAATCHI, advertising and business services company, sold its 7 per cent stake in marketing services concern WPP Group for about £7.9m. Page 8

BLACKS LEISURE, UK camping and leisurewear group, announced an agreed £45m offer for women's and children's fashion company Miss Sam and a £15.2m deal for private textile converters and merchants S. Eker. Page 8

Thatcher declares absolute faith in President Reagan

MRS THATCHER declared yesterday that she had absolute trust in President Ronald Reagan and scolded those who believe his presidency has been irreparably damaged by the Iran-Contra scandal, writes Lionel Barber.

"I believe he's a great leader," the Prime Minister said on US breakfast television as she began a 12-hour sweep through Washington, meeting President Reagan, senior cabinet members, Congressional leaders and the present and future chairmen of the Federal Reserve Board, the central bank.

Mrs Thatcher's trip follows her election victory last month, when she won her third consecutive term in office. As she bustled in and out of meetings, some US commentators speculated that her political magic might rub off on Mr Reagan, her old conservative friend and ally.

"Mrs Thatcher arrived in Washington today on a rescue mission," declared CBS news.

The Prime Minister was soon carried away with the welcome. "America is the flagship of freedom. . . . She must sail into the sunrise and not look back at what may or may not have happened."

The Iran-Contra hearings, thanks to Lt Col Oliver North, have distracted the US public and the Reagan Administration for six months. However, Mrs Thatcher was yesterday determined to drive home the message that other issues—arms control, the Middle East, the federal budget deficit—were far more important.

Turning to the prospects for a superpower agreement to eliminate medium-range nuclear missiles from Europe, Mrs Thatcher said Mr Mikhail Gorbachev, the Soviet leader, needed a deal if he was to continue doing the "remarkable historic things" he was doing in liberalising and reconstructing Soviet economic policies.

Mrs Thatcher spent almost 10 hours with Mr Gorbachev in Moscow earlier this year and she was expected to share her thoughts with President Reagan yesterday. Before the White House meeting, she played down US fears that the Soviets might be stalling on an arms pact because of the Iran-Contra affair.

"I would not say they are dragging their feet, but there may be a bit of brinkmanship."

Some European diplomats said that the Reagan Administration might offer more concessions to the Soviets in order to strike a deal before the 1988 election campaign dominated the US political agenda. Mrs Thatcher made it clear she would oppose concessions and repeated she favoured a global elimination of intermediate-range nuclear forces rather than the Soviet proposal under which Washington and Moscow would each retain 100 medium-range nuclear warheads.

In her talks with Vice President George Bush—a candidate for the Republican presidential nomination next year—Mrs Thatcher pressed for a Middle East peace conference, continued support for the Mozambique Government—under pressure from Republican conservatives who want to back the Renamo guerrillas—and opposition to sanctions against South Africa.

US officials, while lukewarm on the idea of a Middle East conference, were struck as usual by Mrs Thatcher's boundless energy, even if her assessment of President Reagan defies political gravity. She may be up, but Mr Reagan is definitely down.

Mrs Thatcher's next stop is Jamaica, where the West Indian island and Commonwealth member celebrates its 25th anniversary of independence. She returns home to London on Sunday.

TSB's £282m bid for Hogg rejected

BY HUGO DIXON AND NICK BUNKER

TSB, the financial services group, yesterday launched a hostile £282m bid for Hogg Robinson, the insurance-broking and travel-agency group. Hogg rejected the offer as inadequate and unacceptable. The bid was at the centre of a complex series of deals in which another key player is Mr Robert Holmes à Court, the Australian financier.

TSB plans to sell Hogg's insurance-broking arm for £116m to Dewey Warren, a small reinsurance broker. Dewey Warren is 42 per cent owned by Bell Group International, Mr Holmes à Court's investment vehicle.

The Hogg deal is TSB's second major bid within a month. Last month it made a £227m agreed bid for Target, the life-assurance and unit-trust group. TSB is flush with cash following its £1.5bn flotation last September.

Mr David Thorne, TSB's managing director, said the prize of Hogg was worth a fight.

TSB wants Hogg's travel- and estate-agency networks, concentrated in London and the south of England. It plans to use them to cross-sell financial services and to compensate for the weakness of its banking network in the south.

The bid's fate hinges on shareholders' reception of Hogg's plans, announced two weeks ago, to demerge into separate Stock Exchange-listed companies — Hogg Robinson and Hogg Robinson & Gardner Mountain. TSB's offer is conditional on shareholders rejecting the demerger proposal.

The demerger plan aims to free each side of Hogg's business to grow at its own pace. Shareholders are due to vote on the scheme at an extraordinary meeting on July 27. Hogg last night urged them to vote in favour.

The new Hogg Robinson, valued by Hogg at £121.7m, would comprise everything except the insurance-broking business. It would be bolstered by a £34m share issue to fund expansion.

Hogg Robinson & Gardner Mountain, the second company, would comprise Hogg's Lloyd's of London insurance-broking business. Merger talks between this and Fenchurch Insurance, the Lloyd's broking subsidiary of Guinness Peat, the merchant banking group, collapsed last month.

Hogg said its travel, estate-agency and financial-services businesses had an outstanding record, excellent prospects and a very bright future as an independent company.

"As for insurance broking, it is not clear whether TSB intends to dump Hogg Robinson & Gardner Mountain on Dewey Warren or on Bell Group," Hogg said.

Hogg made post-tax profits of £12.3m in the year to March 31, to which the non-insurance side contributed £5.3m. The bid

Continued on Back Page
Hogg Robinson's cloudy horizon, Page 8

France severs ties with Iran

BY GEORGE GRAHAM IN PARIS

FRANCE AND Iran broke off diplomatic relations yesterday, leaving the French embassy in Tehran and the Iranian embassy in Paris under virtual siege. Only the charges d'affaires were allowed to leave, and diplomats and their families were unable to fly home.

France made the first move to sever ties. Its announcement yesterday morning was followed by a death threat against two French diplomats being held hostage in Lebanon.

The French decision, which Iran reciprocated later in the day, marks the formal end of attempts to "normalise" relations with Iran initiated by Mr Jacques Chirac, the Prime Minister, when his right-wing government was elected in March last year. France will be the second big western country after the US to maintain no diplomatic representation in Tehran.

The row follows a sharp downgrading of ties between Iran and Britain last month to one diplomat in each capital, and reductions in the missions of Italy and West Germany in the past year.

It also coincides with efforts to pass a resolution in the United Nations Security Council next week calling for a ceasefire in the Gulf war, and means that Iran will be less likely to heed such a call. Foreign ministers from the US and several European countries, including Britain, West Germany and Italy, are expected in New York for the Security Council debate on Monday.

Shortly after the announcement in Paris, an anonymous telephone caller told Western news agencies in Beirut that a Lebanese extremist group known as Islamic Jihad would execute Marcel Carton and Marcel Fontaine, two French diplomats kidnapped there two years ago. Islamic Jihad is believed to be linked to Iran.

Though there was some doubt about the authenticity of the message, since the group normally delivers its communications in written form, mounting tension between Iran and France has undoubtedly raised concern over the safety of French nationals held captive in Lebanon, as well as those still in Tehran.

Yesterday's break pre-empted an ultimatum delivered the previous day by Iran, which warned that it would break off relations if the police cordon around its Paris embassy were not removed by Sunday morning.

After receiving the ultimatum, France had reinforced the police watching Iran's embassy and had turned back 13 members of the Iranian embassy who tried to leave the country by aircraft or by car over the border with Switzerland.

Foreign Ministry officials said the decision to prevent Iranian diplomats from leaving the country had been taken after Iran had arbitrarily blocked the exit of two members of the French embassy in Tehran.

Mr Pierre Lafrance, the French charge in Tehran, has made contact with the Iranian authorities to try to negotiate the evacuation of both embassies' staffs.

French officials made clear, however, that the police still want to interview Mr Wahid Gordji, the Iranian interpreter who has taken refuge in his embassy and whose refusal to give himself up for questioning sparked off the crisis between the two countries.

They said there could be no question of allowing Mr Gordji to leave with the other members of the Iranian embassy until he had answered questions about his links with the sus-

Continued on Back Page

Canary Wharf deal near

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

OLYMPIA & YORK, the privately-owned Canadian property and resources group, was poised last night to sign the agreements that would give it control over Canary Wharf, at £3bn the biggest commercial property project in Europe.

The agreements would constitute a contract between the London Docklands Development Corporation, government departments and Olympia for the building of the first phase of the project.

The signing would end six months of uncertainty about the future of the project and ensure its go-ahead as the centrepiece of a wide scheme to reclaim derelict Thamesside docks.

Canary Wharf is on the Isle of Dogs, east of the City of London. The project involves the construction of 8.8m sq ft of office space, shops, restaurants, leisure facilities and two hotels.

Olympia is expected to sign the agreement with First Boston, the surviving member of the original consortium which conceived the project as an alternative office centre to the City.

The Canadian group has bought into the Canary Wharf Development Company, the shareholders of which were the international banks Credit Suisse First Boston, Morgan Stanley International and First Boston, and Travelstead Group, a US property developer.

It is thought to have paid about £70m to compensate the consortium members for the costs they have incurred on the project. Half of this would have been spent on planning and preparatory site work, the other half on land purchases to create a site of 71 acres. The consortium paid an average of £2m an acre.

The international banks are keeping a minor interest in the consortium — the exact stakes are not being disclosed—but Olympia is taking complete financial responsibility for bringing the project to completion. It is not planning to change its size.

Although Credit Suisse First Boston and Morgan Stanley intend to take premises at Canary Wharf, their reluctance to shoulder basic development costs delayed construction.

The arrival of Olympia and the planned signing last night of the so-called master building agreement mark the start of a new phase of a project that had its origins in 1982. Then Credit Suisse First Boston commissioned Savills, a surveyor, to find a site for a 500,000 sq ft building. Savills suggested the Isle of Dogs. Credit Suisse First Boston then brought in Morgan Stanley, and the Travelstead Group was asked to work up the project.

Construction work is expected to start within a few months and last up to seven years, half the original timescale. Some of it, but not necessarily all, will be undertaken by the contractors first chosen for the project — Taylor Woodrow, Costain, Laing, John Mowlem and Sir Robert McAlpine, with Bechtel as manager.

Olympia is retaining the broad plan for Canary Wharf drawn up by Skidmore Owings and Merrill, the architects, but will probably have an architectural competition for the individual buildings. the controversial idea of three large towers, dominating the eastern London skyline, will be retained.

Time runs out, Page 4

Guinness wins fight for £5.2m

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

GUINNESS has won a High Court fight to recover £5.2m it paid to Mr Thomas Ward, a US attorney and former director.

Sir Nicholas Browne-Wilkinson, the Vice-Chancellor, said yesterday that the payment, which Mr Ward asserted had been made for his "valuable services" to Guinness during the takeover battle for Distillers, had not been disclosed to the full board as required by the company's articles and the Companies Act.

The £5.2m had at all times been Guinness's property and the company was entitled to immediate final judgement on its recovery claim, the judge said.

He said Guinness's right to judgment was not affected by the fact that Mr Ward might be entitled to some remuneration for his services under his cross-claim, which will come before the court later unless disposed of by negotiation.

He ordered the immediate transfer to Guinness of the $2,013,761 unspent balance of the £5.2m, Mr Ward's rights in a $100,000 loan and a $320,000 investment made out of the £5.2m; and his right to recover $4.7m of the £5.2m paid in US federal and state taxes.

After the ruling, Guinness's lawyers said that when the available part of the £5.2m had been gathered in, Mr Ward would still owe about £1m. There was a shortfall of about £500,000 and interest of about the same amount on the £5.2m.

In addition, Mr Ward had to pay Guinness's legal costs.

The judge gave Mr Ward leave to appeal.

Sir Nicholas said that Mr Ward alleged that the £5.2m had been paid under an agreement between himself and Mr Ernest Saunders, Guinness's former chairman and chief executive. Guinness denied there had been such an agreement. If there had, the company argued, it had been made by Mr Ward in breach of his fiduciary duty because it had not been disclosed to the other directors.

The judge said that the way Mr Ward's case had been put was only consistent with an implied admission that there had been no disclosure.

In addition, the judge ordered

Continued on Back Page

WEEKEND FT

RICHEST COUNTY IN CHINA

Together, Hong Kong and the Pearl River delta should be able to give South Korea and Taiwan a run for their money. David Dodwell reports from Changping.

Page 1

PROPERTY

The word "luxury" is in danger of becoming meaningless. John Brennan calls estate agents to order.

Page VIII

TRAVEL

Michael J. Woods tours England's offshore nature reserves.

Page XI

DIVERSIONS

How To Spend It: Lucia van der Post on picture framing. Plus Wine, Gardening, Saleroom and Collecting.

Pages XII and XIII

THE ARTS

Anthony Curtis on Harold Pinter at the Avignon festival.

Page XV

SPORT

Ben Wright at the Open Golf Championship, Muirfield; plus croquet.

Page XVI

MARKETS

DOLLAR
New York lunchtime:
DM 1.8595
FFr 6.1895
SFr 1.5495
Y152.7
London:
DM 1.8585 (1.837)
FFr 6.185 (6.115)
SFr 1.5475 (1.529)
Y152.75 (150.5)
Dollar index Y103.7 (102.9)
Tokyo close Y151.5

US LUNCHTIME RATES
Fed Funds 6¾%
3-month Treasury Bills:
yield: 5.72%
Long Bond: 102¼
yield: 8.54%

GOLD
New York: Comex August latest $450.50
London: $450.50 (453.25)

STERLING
New York lunchtime: $1.608
London: $1.6085 (1.631)
DM 2.99 (2.995)
FFr 9.9475 (9.975)
SFr 2.49 (2.495)
Y245.75 (245.5)
Sterling index 73.2 (73.5)

LONDON MONEY
3-month interbank:
closing rate 9¼ (same)

NORTH SEA OIL
Brent 15-day August (Argus)
$20.63 (20.45)

STOCK INDICES
FT Ord 1,916.9 (−9.3)
FT-A All-Share 1,234.49 (+0.3%)
FT-SE 100 2,428.7 (−14.7)
FT-A long gilt yield index:
High coupon 9.02 (9.04)
New York lunchtime:
DJ Ind Av 2,517.38 (+10.41)
Tokyo:
Nikkei 23,983.45 (−20.16)

Chief price changes yesterday, Back Page

Austria Sch 22; Bahrain Din 0.650; Belgium BFr 48; Canada C$1.00; Cyprus C£0.75; Denmark DKr 9.00; Egypt E£2.25; Finland Fmk 7.00; France FFr 6.50; Germany DM 2.20; Greece Dr 100; Hong Kong HK$12; India Rup 15; Indonesia Rp 3,100; Israel NS 2.50; Italy L1,600; Japan Y600; Jordan Fils 500; Kuwait Fils 500; Lebanon £150.00; Luxembourg LFr 48; Malaysia Rin 4.25; Mexico Pes 300; Morocco Dh 6.00; Netherlands Fl 3.00; Norway NKr 7.00; Philippines Pes 20; Portugal Esc 100; S Arabia Rls 6.0; Singapore S$4.10; Spain Pts 125; Sri Lanka Rup 30; Sweden SKr 8.00; Switzerland SFr 2.20; Taiwan NT$65; Tunisia Din 0.800; Turkey L500; UAE Dh 6.50; USA $1.00; Bermuda $1.50.

CONTENTS

British Telecom: public pressures, private griefs 6
Man in the News: Sydney Silverman .. 6
Brazil: stop the revolution, I've a bus to catch 7
The Franco-Iranian row: a place in the crossfire 7
Editorial comment: the hazardous joys of growth 6

Appointments	9	FT World Actuaries	14	London Options	12	London	12
Base Rates	14	Foreign Exchanges	12	Money Markets	12	Wall Street	11
Bldg Soc Rates	7	Gold	10	Overseas News	2, 3	Bourses	11
Commodities	10	Intl Company News	10	Recent Issues	8	UK News:	
Company News	8	Leader Page	6	Share Information	18, 19	General	3, 4, 5
Economic Diary	3	Letters	7	SE Dealings	13	Labour	5
European Options	14	Lex	20	Stock Markets:		Unit Trusts	14-17
FT Actuaries	9					Weather	20

US threatens EC with sanctions over pasta trade

BY PETER MONTAGNON IN COPENHAGEN

A PASTA trade war is looming between the US and the EC from the beginning of next month, just as congressional debate on the trade bill reaches its decisive stage.

The US has told the EC it intends to impose punitive sanctions against EC pasta exports from August 1 because of the failure of the two sides to resolve a long dispute over export subsidies.

Senior EC commission officials attending a conference on US-EC relations in Copenhagen said yesterday there was little chance of resolving the problem before the end of the month. The EC will almost certainly take counter action.

The US has been asking the EC to reduce export subsidies on pasta by at least 50 per cent on the grounds that it is a processed product which lies outside the normal agricultural exports system.

Under pressure from Italy Italy and to a lesser extent Britain and Ireland the EC has been able to offer cuts of only about 20 per cent. Neither side is willing to shift further.

One senior European official who expects the US to impose sanctions said yesterday: "I think we would have to retaliate fairly quickly."

The EC is concerned about the US sanction threat because it considers that its timing violates the interim agreement on the pasta issue reached last year.

That agreement provided for negotiations on pasta to continue without trade sanctions at least until Congress ratified a parallel agreement on citrus exports, which has not yet happened.

The US has not specified what form its sanctions would take but they are expected to involve punitive tarffs on European pasta products. In return the EC may impose restrictions on US exports of walnuts and probably on other products.

The amount of trade involved is small and both sides remain anxious to contain the dispute as far as possible.

The timing is regarded as unfortunate because it comes as the Senate is completing its deliberations on the trade bill, paving the way for a final version for presentation to President Ronald Reagan.

Cash crisis looms for Government

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE US Federal Government ran out of authority to raise money on the financial markets yesterday, with Congress and the White House still deadlocked over what sort of legislation to pass in order to raise the limit Congress puts on the volume of outstanding government debt.

Budget experts on Capitol Hill said that the expiration of the debt limit will not have an immediate impact on the ability of the Government to finance its operations because the US Treasury has enough cash on hand to continue government operations until the end of the month.

According to one budget analyst, however, when the financial crunch does come and the Government faces the possibility of having to cut back on payments in order to conserve funds, the first people to be affected will be more than 30m old age pensioners whose social security payments are due on July 30.

The stakes therefore in the game of "chicken" being played over the debt ceiling are very high. Two things are at issue: whether to pass a "clean" debt ceiling increase, as the White House wants (this would be a bill which simply raises the debt limit and nothing else); or whether to attach a provision to increase the debt limit in the reform of the Gramm-Rudman-Hollings budget deficit reduction. This would restore the mechanism for cutting spending automatically if the deficit reduction targets are not met.

Separately, it was reported yesterday that the White House has also now recognised that the federal budget deficit is likely to surge again in 1988 and 1989.

The Wall Street Journal yesterday quoted Mr Jim Miller, Director of the Office of Management and Budget, as saying that the White House estimates the 1987 fiscal year budget deficit at \$155bn, \$60bn lower than the 1986 deficit. But Mr Miller told a cabinet meeting on Wednesday that the deficit will widen again in 1988 and 1989. According to the Congressional budget office which announced new deficit estimates on Tuesday, the 1989 deficit could be as high as \$198bn.

India denies initiative to end Sri Lankan crisis

BY MERVYN DE SILVA IN COLOMBO

INTENSIVE diplomatic activity is under way in Colombo to try to find a solution to Sri Lanka's ethnic crisis although the Indian High Commission continues to deny officially that an Indian initiative is imminent.

Mr J. N. Dixit, the Indian High Commissioner, who has been given a great deal of discretion and power by Mr Rajiv Gandhi, India's Prime Minister, has had a number of meetings this week with Sri Lankan ministers, culminating last night with an extraordinary meeting involving President Jayawardene and 10 senior ministers. They included six Sinhalese ministers (including the ministers of national security, finance, and lands) the government's two Tamil ministers and its two Muslim ministers.

India's proposals for ending the violent ethnic conflict between the Sinhalese and the minority Tamils are believed to include a merger of the Tamil north and the ethnically mixed eastern province.

Mr Dixit denied any proposals had been tabled and although the Sri Lankan government might find a way of granting a limited form of autonomy to the northern province it would be a major collapse of policy to include the ethnically mixed eastern province.

India's official position is that the ethnic conflict was entirely an internal problem, but New Delhi has indicated it will not wait forever for the grievances of the Tamil minority to be met. Mr Gandhi, with 55m Tamils in the southern Indian state of Tamil Nadu and with his domestic policy in disarray, is determined to secure a foreign policy success in Sri Lanka.

Mahathir to use UK visit to seek new investment

BY ROBIN PAULEY, ASIA EDITOR

DATUK SERI Dr Mahathir Mohamad, Prime Minister of Malaysia, begins his first official visit to Britain tomorrow, hoping that his "Buy British Last" campaign earlier this decade has been forgotten — or at least forgiven.

Dr Mahathir is bringing four senior ministers and a clutch of businessmen on the week-long visit during which he hopes to secure substantial investment in Malaysia by promoting the new foreign equity rules to British commerce, industry and politicians. Britain is Malaysia's fourth-largest trading partner.

With a slump in world commodity prices Malaysia is facing economic difficulties with rising debt and a sharp decline in growth. It is keen to forget the past and forge new and stronger ties with east and west, in spite of Dr Mahathir's profound hatred for communism. After Britain Dr Mahathir will visit Hungary and the Soviet Union.

Before leaving Kuala Lumpur Dr Mahathir appointed his supporters to senior posts in the United Malays National Organisation (UNMO), the ruling party, and removed people who opposed him in the April party elections, none of whom was given any post yesterday.

Dr Mahathir won a new three-year term as party president against Tengku Razaleigh Hamzah, former Trade and Industry Minister, by 43 votes out of 1,479. The party has 83 of the 177 parliamentary seats and is the main partner in the ruling National Front Coalition. The UNMO party president traditionally heads the government.

Dr Mahathir will meet Mrs Margaret Thatcher, the British Prime Minister, and Sir Geoffrey Howe, Foreign Secretary. Both have been criticised by Malaysian government officials who have accused them of discrimination for increasing tuition fees for overseas students and for allowing changes to the terms on which tin is traded. Malaysia is the world's largest producer of tin.

Malaysia would like permission for more flights by the Malaysian Airline System to land in London. This is a request common amongst national airlines of developing countries.

Ozal signs security agreement with Syria

By David Barchard in Ankara

THE Turkish Prime Minister, Mr Turgut Ozal, yesterday wound up a politically crucial visit to Syria with the signing of a joint security protocol.

Although it specifically provides for the return of fugitive offenders, Turkey appeared to have been rebuffed in its request for Syria to hand over Mr Abdullah Ocalan. He is the founder and leader of the PKK (Workers' Party of Kurdistan), the Marxist terrorist movement which has been responsible for 454 deaths in south eastern Turkey since August 1984.

The protocol says Turkey and Syria will exchange information on security matters and that each will ban activities against the other on its soil.

Turkey believes that the guerrilla attacks in its south eastern provinces are organised by Kurdish exiles in Damascus and that the killings will come to an end if Syria, like Iraq, co-operates actively with the Turks against the PKK.

However it was being hinted yesterday that Mr Ocalan may no longer be in Syria. There was no indication of where else he might have gone, though Lebanon would be an obvious possibility. The PKK is believed to have a training camp for guerrillas in the Beka Valley.

Turkey has evidently also given the Syrians some assurances about the use it intends to make of water from the Euphrates when the lake behind Ataturk High Dam starts to fill up next year.

Mr Ozal said that Turkey would use 500m cubic metres of water a year for irrigation in Birecik subprovince until agreement is reached with Syria and Iraq about the use of water from the river. Turkey is also to supply electricity from the border town of Nusaybin to Kamisli in Syria.

Though there is still some scepticism in Ankara about whether Syria (a long-standing regional enemy of Turkey's until about two years ago) will keep its word, the visit seems to have ended on a warm note.

The Syrian Prime Minister said that a new page had been opened in relations between the two countries and that Syria would not permit any activities which would cause unrest inside Turkey.

Japan pledge on exports to East bloc

By Lionel Barber in Washington

JAPAN has promised the US to strengthen its system for keeping defence sensitive technology away from the Soviet bloc in the wake of the Toshiba Machine Company controversy.

Mr Hajime Tamura, the Japanese Trade Minister, made the pledge to Mr Malcolm Baldridge, US Commerce Secretary, on Thursday, saying he would spend more money and hire more people to make the curbs effective.

US officials said yesterday the Reagan Administration opposed pending legislation in Congress which would ban Toshiba Machine Company products for five years. Mr Tamura had sought support for fighting the legislation at the meeting.

Toshiba Machine illegally sold sophisticated milling machines that helped the Soviet Union build screws for submarines which allowed the boats to run more quietly.

The Pentagon has described the sale as a disastrous breach of the rules, formalised in the Co-ordinating Committee for Multilateral Export Controls.

Japan has agreed to pay more money to CoCom, increase criminal penalties for evading the controls, and to add more inspection officials. The Tokyo Government has also agreed to investigate the Toshiba sale fully with the eventual possibility of a criminal prosecution.

Steel trade curbs

President Reagan announced yesterday he would extend the US programme of curbs on imported speciality steel until September 30 1989, to give American companies added time to modernise and improve productivity, Reuter reports from Washington.

Ten bombs in Lima

Ten bombs exploded in the Peruvian capital yesterday, including one near the presidential palace, wounding five people, police said, Reuter reports from Lima.

Anthony Robinson looks at a spate of mysterious killings of opponents of apartheid

Pretoria accused of secret war against ANC

WHEN President P. W. Botha prolonged the South African state of emergency on June 11 he accompanied it with a declaration of war on the banned African National Congress which is waging an armed struggle against the white-dominated government.

"We will not talk to these people. We will fight them for the simple reason that they are part and parcel of the terrorist curse besetting the world today," he said.

A spate of mysterious killings of ANC personnel in the neighbouring frontline states and so-called independent homelands in recent weeks and the trial in London of three men accused of plotting to kidnap high-ranking ANC members in Britain, has led to accusations by the ANC leadership in exile that a secret war waged by Pretoria-financed mercenaries is underway to give substance to Mr Botha's threats.

Over the last two weeks three separate developments have given substance to the ANC's claims. On July 9 two high-ranking ANC officials and a Mozambican woman were assassinated in Swaziland when three unidentified white men shot up the taxi in which they were travelling. This week the ANC national executive said it regretted to announce the deaths of Mr Cassius Make and Mr Paul Dikeledi who it said "were assasinated by South African agents in Swaziland on July 9 just after their arrival from Maputo."

Mr Make was the youngest member of the ANC executive and, according to South African security sources, he was also a senior member of the ANC's military wing Umkhonto we Sizwe (Spear of the Nation). He worked closely with Mr Joe Modise, the Umkhonto commander based in Lusaka, they added.

Mr Dikeledi was described by the ANC as "a dedicated young activist" who joined the ANC after the 1976 Soweto uprising. The third victim, Ms Eliza Tsinini, was a Mozambican citizen whose passport was stamped with what Swazi officials believe was a forged multi-entry visa into the country.

P. W. Botha: vowed to fight, not talk

The latest killing of ANC cadres in Swaziland brings the number of people killed by mysterious assasination squads in the small kingdom squeezed between South Africa and Mozambique to 11 over the last eight months. None of the cases has yet been solved by the Swazi police.

The Swazi killings are the most recent of a series of assassinations, kidnap attempts bomb explosions and cross border raids into neighbouring states such as Botswana and Lesotho and in countries further afield such as Zambia and even Britain in which more than 300 ANC cadres are believed to have lost their lives, according to a recent estimate by Mr Mike Hough, a security analyst at Pretoria University.

On Wednesday another suspected ANC guerrilla was shot dead by Ciskeian police in the township of Mdantsane on the outskirts of East London. He killed two Ciskeian policemen before being shot dead. A cache of arms and ammunition was found in the house, police said.

Meanwhile judgement was reserved earlier this week in the Botswanan capital of Gaberone in the trial of Mr Steve Burnett, a former British Special Air Services (SAS) soldier. Mr Burnett is accused of attempting to murder Mr Ronald Watson, a well-known former rugby player and ANC sympathiser from Port Elizabeth.

Mr Burnett claimed to be working for Britain's MI6 and South African security. According to evidence at the trial, he threatened Mr Watson with a pistol in his Gaberone hotel room but was overpowered after being rugby tackled by the former Springbok.

At the much publicised meeting between a group of Afrikaners and ANC officials in Dakar last weekend the ANC refused to consider giving up its commitment to the violent overthrow of the Pretoria regime. The organisation has thus far largely avoided soft civilian targets and indiscriminate acts of terror against the civilian population.

This has not stopped Pretoria from describing the ANC as a communist-inspired terrorist organisation. It is now being accused of having gone one step further and ordered a clandestine operation aimed at wiping out the ANC's military structures and cadres, wherever they may be.

Afrikaner group makes offer for black bus service

BY JIM JONES IN JOHANNESBURG

A SECRET consortium of Afrikaner businessmen is trying to block a bid by black South Africans for Putco, the largest bus operator in the Johannesburg, Durban and Pretoria areas, according to the daily newspaper Business Day.

The consortium has reportedly offered R150m (£45m) for the 52.5 per cent controlling interest in Putco, which is owned by the Carleo family. This is R10m more than was offered a few weeks ago by the Southern African Bus and Taxi Association (Sabta), a group of black transport operators.

Putco earns most of its revenue from carrying black commuters and, if the Sabta bid is successful, it would be the second black-owned company listed on the Johannesburg Stock Exchange.

Mr Anthony Mayer, the Afrikaner consortium's spokesman, admits the counter-bid is politically motivated.

"We don't mind blacks sharing the wealth of the country, but we don't feel that a strategic business such as transport should be in black hands at this time."

Black transport operators are generally confined to running mini-buses or taxis serving the country's black townships and rural reserves. Rail and air transport are state-owned.

Putco operates about 3,000 buses carrying about 225m passengers each year. It had a turnover of R299m in the financial year to June 30 1986 but suffered an after-tax loss of R18.5m even though fares are heavily subsidised.

The company's buses are frequently attacked by rioters as many black people consider them symbols of apartheid. Some observers believed that the attacks, which have destroyed 65 buses in the past two years, would end if the company was black-owned.

● Cinema International, the Dutch cinema group, has sold its South African Metro cinema chain to New Century for an undisclosed amount. Earlier this year New Century bought the South African interests of Cannon, the US film distributor.

French trade deficit falls in June

France's foreign trade deficit reached FFr 3.9bn in June after seasonal adjustments, the Trade Ministry announced yesterday, George Graham reports from Paris.

Imports of capital goods into France continued to grow strongly and were not offset by rising exports, but the June deficit still represented an improvement from the previous month's FFr 5.66bn deficit.

The French foreign trade deficit in the first six months of 1987 totalled FFr 19.6bn, nearly eight times the deficit in the same period of 1986.

The improvement in trade balance in June following May's sharp downturn stemmed from a reduction in the energy and industrial goods deficits, with industrial exports up 7.3 per cent from May. France's surplus in food trade, however, narrowed during the month.

High stakes in Portugal's poll

BY DIANA SMITH IN LISBON

PORTUGUESE voters have a day of rest today—after a noisy but generally good-humoured three-week campaign—to make up their minds how they will vote in tomorrow's general and European Parliament elections.

The campaign ended in grey weather with huge rallies in Lisbon for the leading contenders, the ruling (PSD) Social Democrats (who are in fact more liberal, or in some cases conservative, than social democrat) and the Socialists (PS).

Both parties, in their respective camps, are fighting for a major prize. The PSD is aiming for the first overall majority to be won by any Portuguese party since democracy was restored in 1974, and for a chance to govern for four years uninterrupted.

The PS is battling fiercely for leadership of the moderate left against competition from a new arrival on the political scene—the two-year-old Democratic Renewal Party (PRD) led by ex-President Antonio Ramalho Eanes which stole a sizeable chunk of the PS electorate in 1985.

In a healthier economic climate Portuguese voters face arguably their most important election since the Revolution. A majority for the PSD, absolved from the need to go into coalition with divided and increasingly-important Christian Democrats would mean a strong position from which to negotiate radical constitutional reforms with the PS. These would eliminate 1976 Marxist strictures and pave the way for pruning the public sector, modernising agriculture and accelerating liberalisation, of the financial system.

The questions before the electorate are, basically, these:—

● Will at least 43 per cent of the 7m voters endorse the upbeat message of Prof Anibal Cavaco Silva, leader of the PSD and give him a majority?

● Will at least 25 per cent of the electorate grant Dr Vitor Constancio, the PS leader, enough political weight to impose his party as the symbol of the moderate left?

Will the old-style orthodox Communist Party continue its downward drift from its height of 20 per cent of the vote? In 1985 it received 15 per cent and opinion polls are now placing it between 11 and 14. A smaller Communist vote is seen as a stronger green light for Constitutional reforms.

With the latest polls giving Prof Cavaco Silva 42-45 per cent of the vote, there seems to be a stronger wind of change in the air, bringing clarification to the right of centre. To the left, however, the PS is hovering in the polls at about 21-22 per cent and the PRD at 12-14—a sign that voters who have not made a choice to shift somewhat right of centre are having trouble deciding what sort of moderate left they want.

Sandinista army base attacked by Contra rebels

CONTRA rebels attacked the northern town of San Jose de Bocay with rockets and mortars, killing 19 militiamen and six civilians, the Nicaraguan Defence Ministry said yesterday, AP reports from Managua.

Mr Bosco Matamoros, a Washington-based Contra said that several hundred rebels took part in Thursday's pre-dawn attack. He said San Jose de Bocay was an important base of the Sandinista army.

Maj Rosa Pasos, chief spokeswoman of the Nicaraguan Defence Ministry said Sandinista tropps pursued the rebel force and killed 12 of the US-backed insurgents several hours after the attack.

A statement issued by Contra offices in Miami and Washington said the rebel force overran the town, 140 miles north-east of Managua. The statement said the rebels blew up Sandinista army barracks, a military airstrip and the nearby San Jacinto farming co-operative, which it described as "armed."

The Contra statement said there were "many casualties" among Sandinista troops but provided no figures. It did not mention rebel losses.

The Defence Ministry said no damage was reported to military instillations. It said most of the fighting occurred over 1,000 yards outside the town, but gave few details.

San Jose de Bocay is the site of an important military base from where Sandinista irregular warfare battalions set off in Soviet-supplied helicopters in pursuit of contra units in mountainous Jinotega province.

Reporters who visited a settlement eight miles south of San Jose de Bocay on Tuesday heard sporadic artillery fire as Sandinista troops duelled with rebel units in the region.

The rebel attack coincided with preparations for a July 19 commemoration of the eighth anniversary of theSandista-led uprising which toppled the late US-supported dictator, Mr Anastasio Somoroz, in 1979.

CoCom tightens controls in secret Paris talks

TOP officials of the Western trade body CoCom have made progress in tightening controls on sensitive exports to Warsaw Pact nations after a two-day meeting, Reuter reports from Paris.

But there were conflicting signals over whether the secret talks in Paris which ended on Thursday night specifically discussed the diversion of military technology to the Soviet Union by Japan's Toshiba and other companies.

A statement by the secretariat of the 16-nation Committee for Multinational Export Controls said the committee reviewed work aimed at reinforcing the effectiveness of control systems, improving co-operation between member states, and updating the lists of controlled products and technologies. Progress made was considered satisfactory, it said.

"Although the meeting was not designed to examine specific cases, some delegations described measures they are taking to improve their national control systems," the statement added.

But some diplomats said the ad hoc meeting had been called for the main purpose of discussing the sale of military technology to the Soviet Union by subsidiaries of Toshiba Corp and the Norwegian state defence company, Kongsberg Vappenfabrikk.

They said that the last paragraph of the bland CoCom statement referred to pledges made by Japan. "This is really just letting them off the hook," said one diplomat who declined to be identified.

In Washington yesterday, the Reagan Administration accepted a Japanese plan to tighten its export controls and block new diversions of sensitive military technology to the Soviet Union by Toshiba or other companies.

Bofors faces further probe after Singapore charges

BY SARA WEBB IN STOCKHOLM

BOFORS, the scandal-hit Swedish arms manufacturer, is likely to come under further investigation from the Swedish authorities for allegedly paying bribes. This follows the decision by the Singapore authorities on Thursday to charge Mr Tan Kok Cheng, the former general manager of Allied Ordnance Company of Singapore (AOS) with accepting \$1.2m in bribes from Bofors.

Mr Magnus Sjoberg, the national public prosecutor, has asked Mr Folke Ljungwall, the director of regional public prosecution authorities, if he would be prepared to lead an investigation into whether Bofors paid bribes to Mr Tan.

Mr Ljungwall said that the plans to start preliminary contacts with the police and armaments inspectorate next week.

It is illegal for Swedish companies to pay bribes either in Sweden or in countries where bribery is forbidden. However, Swedish law does make exceptions for countries where it is impossible for companies to conduct business without paying "sweeteners," and in such cases the bribes are even tax deductible.

Bofors has not publicly denied paying the bribes to Mr Tan. The company said yesterday that Bofors had supplied the Singapore authorities with information about "questionable payments" in the last few months. The company had already decided to sell its 40 per cent stake in AOS (the Singapore government controls the remaining 60 per cent) once it became clear that its illegal weapons sales to the Middle East had gone via Singapore.

Bofors has also been under investigation following claims by Swedish Radio that the company paid bribes in order to secure a SKr 8.4bn howitzer gun order from the Indian army.

Peking baulks at the unacceptable face of the West

BY ROBERT THOMSON IN PEKING

CHINA'S Culture Ministry has objected to the presence of General Douglas MacArthur and the former Israeli Prime Minister, Golda Meir, among a collection of portraits to be displayed in Peking as part of Sino-US cultural co-operation.

US diplomats say the art exhibition, scheduled for September, will be cancelled unless the Chinese change their policy of art for politics' sake, but Peking officials maintain that the two portraits "are likely to offend the feelings of Chinese people."

In all, 51 portraits, including those of T. S. Eliot and Mark Twain, are in the collection chosen from the National Portrait Gallery. A list of the famous personalities was presented in advance to the Culture Ministry, which promptly crossed off the names of MacArthur and Meir.

It seems that the general has not been forgiven for leading United Nations troops during the Korean War. Several hundred thousand Chinese "volunteers" fought on the North Korean side after UN and South Korean troops neared the Chinese border.

Golda Meir and Douglas MacArthur: China does not like the look of them

Mrs Meir is apparently disliked for having been an Israeli and, in particular, for having led the country during the 1973 Yom Kippur War. Her exclusion is a sign that China is far from ready to consider diplomatic relations between the two countries. The visiting West German leader, Mr Helmut Kohl, this week told the Chinese leadership that Israel is keen to establish ties.

Even though most Chinese would not be able to recognise either of the two forbidden figures, it is clear that the Government has a long memory. It is equally clear that while the Chinese may have been offended by the portraits' inclusion, the US Government has been grossly offended by their exclusion.

"The United States will not accept censorship of its exhibition and this does not accord with the freedom of exhibition provided in bilateral agreements," a spokesman for the embassy in Peking said yesterday.

The Chinese attitude is surprising, bearing in mind that a campaign against "bourgeois liberalism," or things Western, has abated in recent weeks. However, it does reflect the consistent inconsistency of the Culture Ministry in filtering foreign art.

While controversial Henri Cartier-Bresson photographs of pre-revolutionary China were recently on display in the Peking gallery in which the US portraits are to hang, the cultural commissars have clamped down on works such as "Lady Chatterley's Lover." One provincial official, in addressing a conference on "bourgeois liberalism," reportedly warned against allowing the publication of a book that he thought was called "Lady Thatcher's Lover" because it would harm Sino-British relations.

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OVERSEAS NEWS

China admits reforms are squeezing real incomes

By Robert Thomson in Peking

THE REAL income of one in five urban Chinese is falling because of the introduction of economic reforms, and about 5 per cent of the urban population of 200m have "real difficulties," a senior official revealed yesterday.

In an unusually frank assessment of reform's impact, Zhang Zhongji, spokesman of the State Statistical Bureau, said that the prices of vegetables, poultry, pork and fish have risen significantly this year, although the official inflation rate is still said to be only 6 per cent.

State workers, including teachers and civil servants, who are on fixed incomes, have been hit hardest by the price rises, while farmers and private business people have done best.

Industrial growth was 15 per cent in the first half, about 5 per cent above plan. This is putting added pressure on already strained supply lines, though a Vice-Premier, Yao Yilin, said yesterday that the Government was pleased with the "stable" economic development so far this year.

Domestic demand continues to be strong, with a 17.5 per cent increase in retail sales in the first half compared to the same period last year. However, state revenue fell 1.7 per cent, and capital construction remained unacceptably high.

Yao pointed to the decrease in the trade deficit—$2bn in the first half compared with $11.97bn for the whole of last year—as a sign that the economy had improved, but he condemned the decrease in state revenue and continuing increase in spending.

Philippines bid to woo foreign investment

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino yesterday approved an investment incentives code which officials hope will match the packages offered by other Asean countries, particularly Thailand, to attract foreign investors.

The Omnibus Investment Code which took more than nine months to draft pulls together existing incentives while increasing the scope and applicability of some others. Businessmen reacted more with relief that a code had finally been approved than with detailed comment on its provisions.

Before signing the measures, Mrs Aquino acknowledged the destabilising effect of a wave of labour unrest. "With political stability and now this code, most of the elements of a supportive climate for investment are in place," she said. "We need only to enhance industrial peace."

Earlier this month 12 business associations, including all the main local and foreign chambers of commerce, sent a sharply worded letter to Mrs Aquino warning that labour unrest could derail economic recovery and that existing labour laws were not being implemented.

The code includes 4-6 year tax holdings for new companies depending on whether they are in "pioneer" areas — agri-business, manufacturing (as opposed to simple assembly), technology transfer industries or the provision of non-conventional fuel. New pioneer companies exporting 70 per cent of their output will also be eligible for up to 100 per cent additional tax deductions on labour costs incurred in creating jobs.

The Government's Board of Investments is still left with arbitrary powers to limit investments in areas should it decide production for the domestic market and the potential export market has reached "desirable" levels. This "measured capacity" concept has been sharply criticised by business and from some quarters in Government as being protectionist and likely to encourage monopoly power.

Hyundai 'dumping' probe

BY ROBERT GIBBENS IN MONTREAL

HYUNDAI WILL know within 30 days whether it faces a lengthy Canadian government investigation into alleged dumping of its Korean-assembled vehicles into Canada.

The Government has launched a preliminary investigation of dumping charges by General Motors of Canada and Ford Canada claiming that the imports are damaging the country's motor industry.

The Korean company, surprised by the Government's move, denied the charges and accused GM and Ford of harrassment and protection. A spokesman in Toronto said: "Rather than compete with us in the market place, they are using the courts."

Hyundai sold nearly 80,000 cars in Canada in 1985 but its sales this year will be below 60,000.

Chris Sherwell on an Australian party battle

Howard wins Liberal 'losers contest'

IN ANOTHER classic episode of Australian political melodrama, Honest John Howard yesterday retained the leadership of the opposition Liberal party by defeating the man he replaced in 1985, the "Colt from Kooyong," Mr Andrew Peacock.

Rarely have Australians been treated to such an extraordinary battle, described by one commentator as a "uniquely depressing contest between two losers." Most are relieved that, for now at any rate, it is over. But many wonder whether it marks an advance.

Mr Howard, still fresh from his electoral defeat by Mr Bob Hawke's Labor party last weekend, was jubilant at his decisive 41-28 victory, as were his supporters within the parliamentary Liberal party.

Mr Howard (right) decisively defeated Mr Peacock for the party leadership. But where does that leave the party?

Mr Peacock, who lost to Mr Hawke at the previous election in 1984, promptly joined 12 other contenders for the deputy leadership and won. "I had the numbers right," he joked afterwards, "but it was the wrong game."

The odd and ironic effect of all this is to re-establish the same leadership team, if in reverse order, which led the Liberals after the 1984 election.

There is something of a precedent for such an outcome. Back in 1971, Mr John Gorton lost the Liberal leadership and was similarly made deputy leader by the party. But it is plainly something which Labor will be eager to exploit and which can only pose problems for supporters within both party and electorate. If this team is cemented, they will ask, were the costly earlier divisions necessary? If not, where are we now?

As a contest, it has indeed been remarkable. Mr Howard, 48 next week and a family man, is a former solicitor from a relatively humble background in the suburbs of Sydney. First elected to Parliament in 1974, he became Treasurer under Prime Minister Malcolm Fraser from 1977 until his fall in 1983. Conversions on the way mean he's become the "driest" leader the Liberals have ever had.

Mr Peacock is also 48, also a former solicitor, just as self-assured but a completely different kettle of fish. A Melbourne patrician, he won Kooyong, formerly Sir Robert Menzies's seat, in 1966.

Twice married, his reputation springs as much from his good looks and charm as from the various ministerial posts he has held, including Foreign Minister. Labor thought he was worth an extra 2 per cent to the Liberal vote if he was leader.

His greatest mistake was to cede the party leadership to Mr Howard in 1985 after the latter won a contest for the deputy's position. Asked at the time about the prime ministership, Mr Peacock replied unforgettably: "I'm not sure I ever wanted it."

He and his supporters, known as the "Wets," have since destabilised Mr Howard as leader, a campaign which culminated in Mr Peacock's sacking from the shadow cabinet in April for disloyalty after an embarrassing car-telephone conversation was taped and leaked.

Yesterday, Mr Peacock promised to work to make Mr Howard Prime Minister at the next poll. He admitted he had not abandoned his leadership ambitions, but suggested he would wait for 10 years before trying again. Mr Howard, for his part, insisted the team would work well and said Mr Peacock could have any shadow portfolio he wished.

Neither spoke of the other problems which lie ahead, not only in patching up the divisions within the Liberal party but also in working with the still-divided National party, the Liberals' erstwhile coalition partners.

Mr Howard still believes it was Sir Joh Bjelke-Petersen, the maverick Queensland premier, who wrecked the coalition and cost it the election. Sir Joh, meanwhile, would like to dislodge Mr Ian Sinclair, the federal leader of the Nationals —a battle still to come.

Within the Liberals, attention now focuses on the position of party president, currently held by the outspoken John Valder, who is to stand down. The man most likely to challenge for the post is Mr John Elliott, head of the Elders IXL conglomerate and party treasurer. He was keen to stand for Parliament in last week's election, but was too late to secure selection for the Melbourne seat he wanted.

Mr Hawke, never short of a word on the state of the opposition, thinks Mr Elliott is a likely political foe. The Elders chief, he said yesterday, would be smiling over the outcome of the leadership contest, and he reiterated his belief that neither Mr Howard nor Mr Peacock would lead the Liberals into the next election.

UK NEWS

Radio on verge of big expansion, says Hurd

By Raymond Snoddy

RADIO IS at the threshold of significant expansion and a new golden age for the medium is possible, Mr Douglas Hurd Home Secretary, said yesterday

"New broadcasting spectrum (range of frequencies) is coming, and brings with it an historic opportunity which we ought not to miss. Our aim is to provide the right framework and the right climate for enterprise and diversity to flourish." Mr Hurd said.

He was speaking to the Radio Academy Festival in Bristol after the submission of responses to the Government's green paper on the future of radio.

Mr Hurd made clear that the Government was determined to provide the opportunity for a large expansion of commercial radio—perhaps as many as three new national commercial channels and several hundred local and community stations.

He came close to rejecting the opposition to new national commercial channels by a majority of existing independent local radio stations.

"I find it hard to see that new national services should be ruled out, simply to protect ILR, when the green paper proposes that ILR itself should be given its head under a much lighter system of regulation," Mr Hurd said.

He ruled out "a free-for-all such as occurred in some countries" but said radio should be given its head.

"The BBC will continue to provide dynamic public service broadcasting, and ILR will have the chance to develop and spread its wings," Mr Hurd added.

Measures to create a new structure for radio will be contained in a comprehensive broadcasting bill expected to come to Parliament in autumn 1988.

● The Newspaper Society, which represents the regional and local press, has urged the Government to end outdated broadcasting restrictions and allow full and fair media competition in the future expansion of radio.

In its response to the radio green paper, the society calls for an end to what it sees as unfair restrictions that allow radio stations to publish newspapers but prevent newspapers from owning radio stations.

Sabena in Stolport airline deal

By Michael Donne, Aerospace Correspondent

EUROCITY EXPRESS, part of the British Midland group, which is to start short-haul flights to Continental cities from the London City Stolport on October 1, has signed a co-operation agreement with Sabena, the Belgian airline.

It provides for the two airlines to collaborate on routes between the Stolport and Brussels, one of the cities Eurocity will serve. Others include Amsterdam and Paris.

Using De Havilland Canada Dash Seven four-turboprop airliners, the two airliners will make four return flights daily between the Stolport and Brussels.

The possibility of collaborating with KLM, the Dutch flag airline, and Air France, for the flights between the Stolport, Amsterdam and Paris has not been discounted.

Eurocity has discussed the matter with both airlines, but faces competition from Brymon Airways, the other UK airline licensed to fly the same routes, for such collaborative links.

ECONOMIC DIARY

TODAY: Mrs Margaret Thatcher, Prime Minister, visits Jamaica. Spanish dockworkers' strike.
TOMORROW: General election in Portugal.
MONDAY: Start of two-day meeting of the EC Foreign Affairs Council in Brussels. CBI/FT survey of distributive trades (June). London and Scottish banks monthly statement (June). Retail sales (June —provisional) Provisional estimates of monetary aggregate (June). Organisation of African Unity meets in Addis Ababa (until July 25). Remaining stages of the Finance Bill in Commons.
TUESDAY: EC Environment Council meets in Brusels. Mr Douglas Hurd, Home Secretary, meets Liverpool MPs over Heysel Stadium extraditions. Australia hosts Asian AIDS conference in Sydney (until July 23).
WEDNESDAY: Construction —new orders (May). Balance of payments figures for May (delayed through industrial action) and June. TUC General Council meets. Lord Carrington, Nato Secretary General, begins two-day visit to Madrid.
THURSDAY: EC Budget Council meets in Brussels. Preliminary estimate of consumers' expenditure (second quarter—provisional). Sir Geoffrey Howe, Foreign Secretary, begins two-day visit to Denmark.
FRIDAY: Zeebrugge ferry disaster inquiry report published. Commons rises for summer recess.

Ralph Atkins examines repercussions of the Knightsbridge robbery

Raid questions safe deposit security

MONEY CAN buy riches but, as the raid on The Knightsbridge Safe Deposit Centre, London proved last weekend, it cannot yet buy peace of mind.

The ransacking of 124 safe boxes at the centre by three armed raiders has sent shock waves through the safe deposit industry, which has grown rapidly in the past five years. It also raises the question of how owners of valuable jewellery or documents can find a safe store when there are no restrictions on setting up safe deposits and no institution to enforce standards.

The raid at the Knightsbridge centre on Sunday afternoon combined bluff with violence.

Two of the men dressed in smart suits and posed as prospective clients to gain access to the high-security vaults where the company has a total of 5,000 boxes. The third, disguised as a security guard, turned away customers from the door.

A Knightsbridge safe-box holder being interviewed

The police estimate that the haul was at least £11m but when all insurance claims have been submitted it is likely to be much higher. It may prove to be Britain's biggest robbery, beating the theft of £26m in gold bullion stolen from a Brinks-Mat warehouse near Heathrow Airport, London, in 1983.

The centre, which opened in 1984, is consulting police about improvements in its systems and procedures, although it says its technology is sufficiently advanced.

"It was just unfortunate that they picked on us. It was just our bad luck," said Miss Justine Marr, personal assistant to Mr Parvez Latif, the centre's managing director, who let the raiders in.

The Knightsbridge centre is one of about a dozen similar small companies in London. If its contents are typical, a conservative estimate would make these companies responsible for the safe keeping of valuables worth at least £2bn.

Their customers pay anything from £25 to more than £1,000 to hire a box for a year, according to its size. By offering extended opening hours and competitive prices they have cashed in on a market traditionally served by clearing banks.

Mr Leslie Hawkes is director of the three-year-old Belgravia Safe Deposits Company which has 2,300 boxes priced between £99 and £900 a year.

"The Knightsbridge raid was a nasty setback for all of us—but it is not going to stop the industry growing," he said.

There is no licensing system for operators of safe deposit boxes. The Bank of England says the service does not fall within its central banking beat. The Home Office believes self-regulation will ensure adequate safeguards.

Some insurance companies set standards—but there is no monitoring of companies to check they are enforced.

The only defence the customer has is the contract he signs. Typically, it includes insurance for up to £25,000.

That, as many of the customers at the Knightsbridge centre have found, is no compensation, even if supplemented with another policy, when items of rare or sentimental value are stolen.

Mr Hawkes says customers should use vaults like his which are recommended by insurance companies. Not so, says Mr David Evans, general manager of the commercial department at the 101-year-old Chancery Lane Safe Deposit & Offices Company.

"There is no doubt about it that if you go for a more established firm you will know something about its background," he said.

The British Security Industry Association describes itself as the self-regulatory trade association for the security industry. However, that, it says, does not include private vaults.

"These safe deposit boxes are not part of the British security industry at all," said Mr John Wheeler, director-general of the association and MP for Westminster North.

He says they offer a service based simply on a contractual relationship. It is up to individuals to check they get what they pay for.

"What is wrong with people taking responsibility for themselves?" he asked.

Appeal Court clears 'hackers' of forgery

FINANCIAL TIMES REPORTER

TWO COMPUTER "hackers" who broke into British Telecom's Prestel computer information system were cleared of forgery charges in the Court of Appeal in London yesterday.

Mr Stephen Gold, aged 31, an accountant, and Mr Robert Schifreen, 23, a freelance journalist, were fined £600 and £750 respectively after a test case at Southwark Crown Court of offences alleged under the 1981 Forgery and Counterfeiting Act. Mr Schifreen was said to have gained access to the Duke of Edinburgh's computer files and to have left messages.

But Lord Lane, the Lord Chief Justice, sitting with Mr Justice Leonard and Mr Justice Rose, said the language of the act was not intended to apply to the situation shown to exist in the case.

Lord Lane commented: "Their conduct amounted to dishonestly gaining access to the relevant Prestel data bank by a trick. That is not a criminal offence. If it is thought desirable to make it so, that is a matter for the legislature rather than the courts."

Mr Gold, who was convicted of four offences on April 24 last year and Mr Schifreen of five offences, had their convictions quashed and fines set aside. Orders that each pay £1,000 prosecution costs were also set aside.

Defence requests for the costs incurred by the two men in the Magistrates Court, Crown Court and on appeal to be borne by British Telecom were adjourned to a further hearing next week.

Lord Lane said it was an unusual form of forgery, if it was forgery at all. The objective of the pair was not to gain, but to demonstrate their skill as "hackers."

Although they no doubt appreciated they were in a "grey area" of the law, there was no evidence that they suspected they might be contravening the 1981 act.

Lord Lane said neither the act nor the Law Commission's report on forgery and counterfeit currency sought to deal with information that was held for a moment while automatic checking took place and was then expunged.

"That process is not one to which the words 'recorded or stored' can properly be applied, suggesting as they do a degree of continuance," he said.

Owen conciliatory over Alliance merger dispute

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

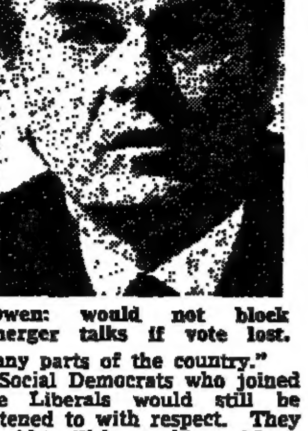
DR DAVID OWEN, leader of the Social Democratic Party, last night made a conciliatory gesture to his opponents in the party who want a merger with the Liberals.

He promised that if those in favour of a merger were to win the ballot, he and his supporters would not attempt to block negotiations for a merger. If some SDP members joined the Liberals, he would welcome that readjustment and continue to work with them as friends and colleagues.

He emphasised that he and his supporters would still want to work closely with the Liberals if there were no merger between the two parties.

His statement was seen as an attempt to reassure those Social Democrats who fear that if the parties do not merge, the alternative will be complete separation.

"There is no way we are going to bust or smash the existing working partnership of Social Democrats and Liberals up and down the country," he said. "It is nonsense to pretend has brought us both success in many parts of the country."


Owen: would not block merger talks if vote lost.

Social Democrats who joined the Liberals would still be listened to with respect. They would "still be working with us in the future."

"People will and should remain good friends, even if it is all or nothing.

"We have absolutely no intention whatever of breaking up a political partnership that they take a diametrically opposed view about what is best for our party and for the future shape of British politics."

If the majority of the SDP voted against merger, it would be clear that there would have to be a different relationship with the Liberals.

However if those who favoured a merger won, he hoped they would not attempt to "bust or separate" constructive working relationships between the two parties. Nor should they pursue merger by the back door, by destroying the identity of the SDP through pressure for joint selection of candidates.

Mr David Steel, the Liberal leader, has made clear that as far as he is concerned merger is the only way forward and if it is rejected, the Alliance cannot continue in its present form.

Insider share dealer fined £10,000

MR RONALD JENKINS, a 54-year-old former private secretary to Lord Cayzer, chairman of the British and Commonwealth Shipping group, was yesterday fined £10,000 after admitting using his position to carry out two insider trading share deals worth thousands of pounds.

Mr Jenkins, formerly of Hainault Road, Chigwell, Essex, pleaded guilty at the Old Bailey to two charges brought under the 1985 Companies Securities (Insider Trading) Act. He was also ordered to pay prosecution costs of £2,000.

Sir James Hiskin, QC, Recorder of London, said Jenkins had never before been in any sort of trouble and it would not be appropriate to sentence him to prison, as he was in his 50s and had very little chance of obtaining a similar job.

At the time of his offences, he had been under financial pressure and worried about the welfare of his aged mother.

The Recorder added: "The City of London is one of the greatest, if not the greatest, financial centres in the world and for many years had enjoyed an unstained and worldwide reputation of total honesty." However, in the last few years, more than a handful of people had indulged in various forms of dishonesty.

Mr Timothy Nash, prosecuting, told the court Jenkins had been plainly in possession of confidential information while private secretary to Lord Cayzer.

"Armed with information there was going to be a senior management shake-up at British and Commonwealth, he purchased 7,500 shares in the company, selling them a week later at a profit of a cool £4,000."

A month later, he had used privileged knowledge he was given in confidence to try to buy 2,500 shares in Steel Brothers Holdings. Had that transaction not been cancelled, it would have netted Jenkins an immediate £1,500.

Schools may not change minds

BY FIONA THOMPSON

STATE SCHOOLS that vote to opt out of local authority control cannot change their minds and opt back in again, Mr Kenneth Baker, Education Secretary, said yesterday.

"Opting out is a once-and-for-all choice. Once a borough becomes an education authority it wil lhave to remain one. It would be ridiculous otherwise," Mr Baker said in Lancaster at the Council of Local Education Authorities meeting.

That would also be the case for schools in inner London, where the boroughs are to be given powers to take their schools out of the Labour-controlled Inner London Education Authority.

Outlining details of the Government's education reform plans due to be announced next week, Mr Baker told the local authority education chiefs that he wanted to strengthen the partnership between local and national government.

The conference rejected his olive branch, however, and endorsed motions critical of government plans for a national curriculum with pupils tested at seven, 11 and 14.

Mr Jack Straw, Labour's new education spokesman, accused Mr Backer of "back-pedalling furiously" because of growing concern about his proposals for reform.

"His plans for opt-out schools, conceived as they were on the back of an envelope as an election gimmick, are now falling apart at the seams.

"If Mr Baker wants partnership he must in return offer real consultation with heads, local authorities, parents and teachers. He must accept that his plans are widely unpopular and can only damage that most important group of all, the children."

In response to the Education Secretary's speech, Mr Fred Jarvis, National Union of Teachers general secretary, said: "As usual Mr Baker showed no recognition of the crucial importance of resources and he made no commitment to restore teachers' negotiating rights. Instead he smoothly sought the co-operation of the local education authorities and their support for policies that will result in their demise or, at best, make them marginal."

Mr Baker's policies and actions were divisive. They would bring back selection and fee-paying. They were bogus and would not lead to greater parental choice.

"Once again we have experienced a Baker smokescreen. He has ignored a desperate need for more resources," said Mr Jarvis.

Earlier, Mr Baker told conference delegates that a new body, to be known as the National Curriculum Council, is to be set up to develop the National Curriculum.

Scots assembly 'irrelevant', Howe says

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A SCOTTISH ASSEMBLY with tax-raising powers was "utterly irrelevant to Scotland's needs," Sir Geoffrey Howe, the Foreign Secretary, said yesterday.

In a defence of the Government's policies towards Scotland, he said it was vital for the country to be fully represented and to have influence at Westminster, which was where, "like it or not," the decisions that affected Scotland were really taken.

Even some Conservatives, he said, as well as opposition parties and much of the Scottish press, "seemed beguiled by the nostrum of an assembly" which less than a third of Scotland wanted when it was put to a referendum in 1979. The Scottish CBI, he noted, continued to oppose the idea on the grounds that it would drive out investment.

"We all like to feel that we control our own destiny. But there is a sharp distinction between the realities and the trappings of power in the modern, interdependent world," he said.

Sir Geoffrey, who was speaking to Conservatives at Drymen in Stirlingshire, said that Scottish Tories were right to keep their nerve in the wake of the general election in which they lost 11 of their 21 parliamentary seats.

"But we obviously have to sell our programme better," he said. "We must show that we have heard what people are saying in their votes. But we must not cancel or change the direction of our policies."

The Government had to recognise that many Scots felt they had not yet shared fully in the economic recovery. "There is no law of economics which says that the new jobs, new service industries, new technologies will all be in the south of England."

Rail passenger subsidy raised by £89m

By Kevin Brown, Transport Correspondent

SUBSIDIES TO British Rail's loss-making passenger services will go up by £89m next year in spite of plans for a 25 per cent cut in grants over the next three years, the Government announced yesterday.

Mr Paul Channon, the Transport Secretary, told the Commons in a written reply that the Public Service Obligation grant for 1987-88 would be £809m, compared with £720m last year.

British Rail said, however, that the grant would have fallen to £695m but for a provision of £114m for investment and special depreciation.

Neither BR nor the Transport Department would provide a breakdown of the figures. British Rail said the investment would however reduce future PSO requirements by improving productivity.

The Department of Transport said the allowance for an additional depreciation charge was intended to help bridge the gap between BR's historic cost depreciation charge and the actual cost of its investment programme.

The PSO grant covers losses on BR's InterCity, Network South-East and Provincial sectors, and is intended to underscore the social importance of passenger services.

The grant has been cut by £260m over the last three years, and fell by £110m in the last year alone, when the British Railways Board made a profit after interest payments of £2.4m. The Government also announced revised quality standards for BR yesterday. The main change is in the punctually target for InterCity, which has consistently failed to meet its objectives. InterCity was required to run 82 per cent of trains on time or up to five minutes late. This has been changed to 90 per cent of trains up to 10 minutes late, which BR expects to find an easier target.

Paul Cheeseright explains why control of Docklands project changed

Time runs out at Canary Wharf

TIME RAN out for G. Ware Travelstead. The American who pieced together the Canary Wharf project, the biggest planned commercial property development in Europe, could not command the resources to bring the scheme to completion.

Those dependent on him lost patience. Once faith in his ability to take the project from the planning to the execution phase began to slip, the gates opened for Olympia and York, which yesterday took over the scheme on roughly the same terms it had offered in February.

The stakes are high. Total cost of the project on derelict land in London's Docklands, east of the City, is about £3bn. The first phase would cost about £1.8bn, including infrastructure of £200m. In total the plan is for 8.8m square feet of office space, 500,000 square feet of shopping and leisure, 8,000 car parking spaces and two 400-bed hotels.

The stakes are high. Total cost of the scheme is about £3bn

Olympia and York will retain the existing scope of the project, according to Mr Paul Reichmann, one of three brothers who run the company. The planned usage would remain the same—offices would be corporate headquarters not backroom facilities.

Whether the office space is pre-let or not makes no difference. The project goes ahead, Mr Reichmann made clear. "We can complete on our own strength," he added, in reference to the financing.

The difficulty for Mr Travelstead was that he did not have such strength. He found himself caught in a vicious circle.

The Canary Wharf Development Company, of which he was chairman, did not want to sign the master building agreement with the London Docklands Development Corporation without the security of pre-lets to tenants other than the original members of the Canary Wharf consortium—Credit Suisse First Boston, Morgan Stanley International, First Boston International and the Travelstead Group.

However, tenants would not be forthcoming unless they saw that the basic infrastructure work for the project was under way. That would be a sign of serious intent that the project would happen.

The work could not start, however, until consortium members agreed among themselves on how to pay for it. That was a nettle that Credit Suisse First Boston and Morgan Stanley were not in the end prepared to grasp. Their interest in the scheme all along had not been in some grandiose reclamation of derelict land but in having a building each for their own use.

Here, then, was pressure on Mr Travelstead to get the project moving. That pressure mounted from February onwards after the first talks with Olympia & York. The only way to get the project moving, given that Mr Travelstead could not or would not, with First Boston take on the infrastructure costs, was to call in another company.

There was also pressure from another quarter, the London Docklands Development Corporation. Action on Canary Wharf was essential for the corporation, which is tasked with the revitalisation of the whole district.

The project is central to the redevelopment of the Isle of Dogs. The fact that it had been planned acted as a stimulus for other commercial development but the Canary Wharf site remained empty, a hole in the middle of the Dogs doughnut.

From the end of last year Mr Travelstead was always on the verge of signing the master building agreement, but pens remained firmly in pockets. During the past two months, the LDDC became progressively more edgy about the lack of action, especially with contractors waiting on the signing of the agreement to start work on the extension to the Docklands Light Railway, the essential communications link to the City.

The project is central to the redevelopment of the Isle of Dogs

That diminishing patience was conveyed to Mr Travelstead, adding to the pressure he was under from the bankers. One lot he might have contained — two became impossible. His role had been played.

The quiet Canadians move in with money

OLYMPIA & YORK is very big and very private, writes Paul Cheeseright. Nobody outside know how wealthy it is, but all can see that it never has trouble raising funds. Estimates of its assets run up to more than $20bn (£12.4bn).

What is certain is that the company is the biggest commercial landlord in New York with 24m sq ft. It has prime office properties in the main US and Canadian centres, and if its share in Trizec Corporation is taken into account, it owns or has interests in about 100m sq ft of property.

In that context Canary Wharf does not look large. However, it is about 20 per cent larger in plan than the completed World Financial Centre at Battery Park, New York. The Olympia & York team that built Battery Park, and before that First Canadian Place in Toronto, will be the nucleus of the Canary Wharf development team.

Property is only one part of the empire created by the three Reichmann brothers since they arrived in Canada in 1955. The genesis was a building materials company, specialising in ceramic tiles.

They also control Abitibi-Price, the Canadian wood company, and last year bought Gulf Canada for C$3bn (£1.4bn) to win a stake in the oil business.

There is at least one Reichmann brother involved in every significant Olympia & York project so that, in spite of being one of the big four Canadian corporations, the company retains something of the quality of a family business.

Mr Paul Reichmann, at 55 the second -oldest of the brothers, is insistent on the point that every project it has announced has always been finished and he thinks the construction time for Canary Wharf can be cut to between five and seven years from 10 to 15 years.

The key to the Reichmann success has been boldness. To bring Merrill Lynch and American Express to Battery Park, Olympia & York bought their existing headquarters buildings. The company would be prepared to do the same in London.

It is taking on all the commitments for Canary Wharf on the basis of two assumptions.

The first is that London has room for another big office centre as well as the City and the West End. The second is that leading corporations will find it more economic to group all their operations in one building on Canary Wharf than to have them scattered over the more expensive areas

Nimbus to use digital tape

BY DAVID THOMAS

NMBUS RECORDS, a UK music company, has become the first music company in the West to say it intends to make its music available on a revolutionary Japanese sound system.

Nimbus, a private company based in Monmouth, Gwent, specialising in classical music, intends to sell its music using the new sound system before Christmas in Japan, the only market where the sound system is available.

The decision breaks the unanimity of the music industry in the West, which has been fighting the introduction of the sound system, known as digital audio tape, unless it is modified.

The system has caused a row between Japan and the music industry in the West, which fears it will drain its copyright income because it allows almost perfect recording from a compact disc.

The world's five largest music companies have said they will refuse to alow their music to be used on digital audio tape unless it incorporates a device to stop copying.

The industry has also lobbied the European Commission and the US Government for legislation forcing manufacturers to include an anti-copying device invented by CBS of the US.

Mr Adrian Farmer, Nimbus's music director, said the company had no intention of incorporating the CBS anti-copying device into its music on digital audio tape. He claimed that the CBS device "does the most dreadful things to the sound."

Nimbus, the first company to start making compact discs in the UK in 1984, claims about 5 per cent of the world compact disc market. It says Japan accounts for about 15 per cent of its sales, which will be about £19m this year.

Mr Farmer said Nimbus was studying all the digital audio tape recorders available in Japan and intended to place bulk orders soon for the one it considered best. It would then record some of its own music on the tapes, in time, it hopes, to ship them back to Japan before Christmas.

It would also ask other music companies whether they wanted to do the same using its facilities.

Nimbus has about 150 customers among music companies that press their music at Nimbus's compact disc factories in South Wales.

Bank surprises gilts market with short-end funds

By Janet Bush

THE BANK of England yesterday surprised the UK government bond market by announcing new funding at the short end of the market which had appeared to see less interest recently than issues of longer maturities.

The Bank will issue by tender on July 22 £1bn of 8 per cent Treasury stock due to mature in 1991, payable £20 per cent at tender at a minimum tender price of 97¼ per cent. The balance is payable in August 24.

Gilt-edged market participants said the low initial payment suggests the Bank of England may not be worried about pushing its funding programme along.

In spite of substantial intervention against sterling recently which, because it counts as negative funding, has left the Public Sector Borrowing Requirement substantially underfunded, the trends in borrowing this year have been excellent. There is a widespread view the PSBR will undershoot the government's target.

The authorities face a dilemma. They aim to sterilise the expansionary monetary impact of the intervention through extra gilt sales. However, overseas buying of gilts when the Bank is already capping sterling's strength against the D-mark might put even more upward pressure on the currency, provoking more intervention.

Minister defends police complaints body after attack

By Tom Lynch

THE DELAY in identifying and prosecuting the five London policemen jailed in connection with an attack on five youths does not imply failure on the part of the Police Complaints Authority, Mr Douglas Hogg, a junior Home Office minister, told the Commons yesterday.

The attack on the youths in August 1983, which led to three officers being jailed this week for assault and two for failing to report the assault, was raised by several MPs during a debate on policing in the inner cities.

Mr Chris Smith, Labour MP for Islington South and Finsbury, called for a fully independent police complaints body with its own investigative staff instead of having to rely on the police to carry out inquiries.

He said the complaints authority had investigated the assault case for two and a half years and produced a report concluding that the officers involved could not be identified. It was only the public outcry that followed the report that brought the culprits into the open.

He argued that, unless the procedure was changed, people would question the thoroughness of an investigation and whether account was taken of the police culture of closing ranks when in trouble.

Mr Hogg insisted that the "cover-up" that had caused the delay in identifying the assailants had been caused by the officers involved in the attack or who knew about it. There was no criticism of the officers involved in investigating the case or the complaints authority, "which I regard as a most efficient and independent investigatory body."

However, he said: "That there may be lessons to be learned, I cannot deny, and we will be seeking to do that."

Kaufman says Labour must appeal to affluent

BY JOHN HUNT

THE Labour Party must change its policies to appeal to affluent voters, Mr Gerald Kaufman, shadow Foreign Secretary, said last night in a broad-ranging speech on the party's future.

He implied that Labour should move away from policies which involve a big rise in public spending and increases in taxation.

The speech, delivered in Carlisle, was made with the knowledge and approval of Mr Neil Kinnock and is in line with the party leader's campaign to reform Labour policy

In a passage that will upset the hard left, Mr Kaufman, who is on the centre right, dismissed the theory that the party could gain power on the combined support of minority groups. He said it must win voters from the other parties to gain power to help the disadvantaged.

At the same time he emphasised that it was no good trying to adopt Conservative policies. That would only enable the Tories to outflank Labour by constantly outbidding it.

To prevent this, Labour must still guarantee to offer good, responsive, well-maintained and steadily improving community services.

Mr Kaufman said: "These must not be services just for minorities but for majorities; not services just for the north, Scotland and Wales but services needed in the Midlands and South as well."

Labour should never try to beat the Conservatives by promising to increase the individual living standards of the best off. Yet it still had to win the votes of at least 3m people who voted for the Conservatives, to get tax cuts, or for the Alliance, because they were wary of Labour.

He said: "We have to win the votes of the affluent because June 11 proved that the votes of the poor, the deprived and the ethnic minorities can deliver no more than 229 seats

Law Society appoints top union official

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE Law Society, the solicitors' professional body, has appointed a senior trade union official as its director of services and standards in what will be seen as a move to toughen its profile.

Mr John Randall, deputy general secretary of the Civil Service Union, will join the society in September and take responsibility for training and regulatory functions including issues arising from the Financial Services Act.

The appointment follows the restructuring of the society into five broad directorates. It reflects a deliberate policy of seeking fresh talent. Mr Randall is not a qualified solicitor and was headhunted for the post.

Mr John Hayes, society secretary general, said yesterday that the qualities sought included general managerial expertise, skill and experience in dealing with the media and the ability to present issues forcefully outside the legal profession.

The society faces fresh challenges on several fronts, ranging from the act's implications for investment business to a perceived need to improve career prospects for the growing number of women solicitors.

Mr Randall, 39, has specialised in training issues during his 12 years with the CSU. He joined the union from the National Union of Students where he was president for two one-year terms between 1973 and 1975.

He said yesterday: "I think the society is in a position where it needs to represent its interests in a public sense a little more sharply."

Mr Randall is expected to have a salary of about £35,000. He will join Ms Penny Grant, at present legal officer for Nalgo, the white-collar union, who has been recruited by the society to head its practice development and remuneration team. She will negotiate solicitors' Legal Aid fees.

Mr Hayes said he expected professional associations to look increasingly to the unions for key staff appointments.

Appeal Court explains contempt ruling over Spycatcher book

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

NEWSPAPERS publishing extracts from Spycatcher, the memoirs of Mr Peter Wright, the former MI5 officer, could be held to be guilty of contempt of court if it were proved that they intended to "impede or prejudice" the administration of justice, the Court of Appeal ruled yesterday.

Sir John Donaldson, Master of the Rolls, said that the intent "need not be expressly avowed or admitted but can be inferred from all the circumstances—including the foreseeability of the consequences of the conduct.

"Nor need it be the sole intention—and intent is to be distinguished from motive or desire."

Sir John was giving the court's reasons for overturning last month's decision by Sir Nicholas Browne-Wilkinson, the Vice-Chancellor, that The Independent, The London Evening Standard and The London Daily News could not have been in contempt in publishing extracts from Spycatcher.

The Attorney-General had claimed that the three papers were in contempt because they had published knowing that the courts had made injunctions banning The Guardian and Observer from publishing information derived from Mr Wright.

Sir Nicholas said that contempt proceedings were not appropriate against someone against whom no court order had been made.

The case will now go back to the Vice-Chancellor for a ruling on whether, in the light of yesterday's Appeal Court guidelines, The Independent, The London Evening Standard and The London Daily News were in contempt.

The appeal judges refused the newspapers leave to challenge their decision in the House of Lords, saying that they must seek leave from the Law Lords.

On Monday the case on which the contempt cases ultimately depend — that involving The Guardian and Observer—will be back before the Vice-Chancellor, when the two newspapers will argue that circumstances have so changed since the injunctions were granted in July 1986 that they are no longer justified.

The papers are likely to make great play of the fact that Spycatcher has been published in the US and many copies brought into the UK, with the Government making no attempt to stop either the publication or importation.

Linked with that hearing will be the Attorney-General's contempt claim against The Sunday Times, which last Sunday published four pages of extracts from Spycatcher. On Thursday The Sunday Times submitted to an injunction stopping it printing further extracts tomorrow.

Sir John emphasised that the contempt case was not primarily about national security or official secrets, but the right of private citizens and public authorities to obtain protection from the courts for their confidential information. The national security element was peripheral, Sir John said.

It was the inherently perishable nature of confidential information that gave rise to unique problems. If, pending a full trial, the court allowed publication, there was no point having a trial since the cloak of confidentiality could never be restored.

Summarising the legal position Sir John said:

- Confidential information was irremediably damaged by every publication and the more widespread the publication the greater the damage.
- Opposing claims for confidentiality and of a right to publish had to be balanced by the courts and, pending full trial, the balance would normally come down in favour of preserving confidentiality.
- Third parties who knew that there were court orders protecting confidentiality committed a serious offence against justice itself if they took action that would damage or destroy the confidentiality the court was seeking to protect, and so rendered the due process of law ineffectual.
- Third parties wishing to contest the court's decision, or who doubted if the action they contemplated was lawful, should apply to the court.

Sales of Sun newspaper fall

By Raymond Snoddy

CIRCULATION of the Sun newspaper fell below 4m for the first time since 1981 in the six months to June as Daily Mirror sales continued to rise.

The Sun sales were an average 3.993m copies, compared with 4.061m for the corresponding period last year, according to Audit Bueau of Circulation's figures issued yesterday. In the same period the Mirror's circulation rose from 3.048m copies to 3.122m.

At the quality end of the market The Independent's average sales rose to 292,703, continuing a rising trend. Sales last month were 327,122 copies.

Circulation of the Financial Times rose again, to 279,762, compared with 251,554. Sales last month topped 300,000 for the first time.

The main gainers in the Sunday market were the Mail on Sunday, with a record circulation of 1.688m, and the Sunday Telegraph, sales of which rose from 678,233 to 720,902.

UK NEWS

James Buxton on how EC cash is aiding the Western Isles

Practical boost for Crofters' morale

"WHAT WE'RE doing here is the biggest thing to hit the Western Isles for 50 years," says Mr Ronnie Cramond, deputy chairman of the Highlands and Islands Development Board, as our light aircraft comes in to land on Benbecula.

For the past five years the Western Isles have been the target of an integrated development programme, a European Community-assisted scheme to improve the economy of this 130-mile long chain of Hebridean islands off the west coast of Scotland.

The development programme has been aimed at the rural population, crofters living in scattered townships earning their living by a mixture of farming, fishing and other activities, including in the northern islands of Lewis and Harris, weaving Harris Tweed on pedal-driven looms. Only 100 of the 6,000 crofters in the Western Isles (where the total population is only 33,000) are full-time farmers.

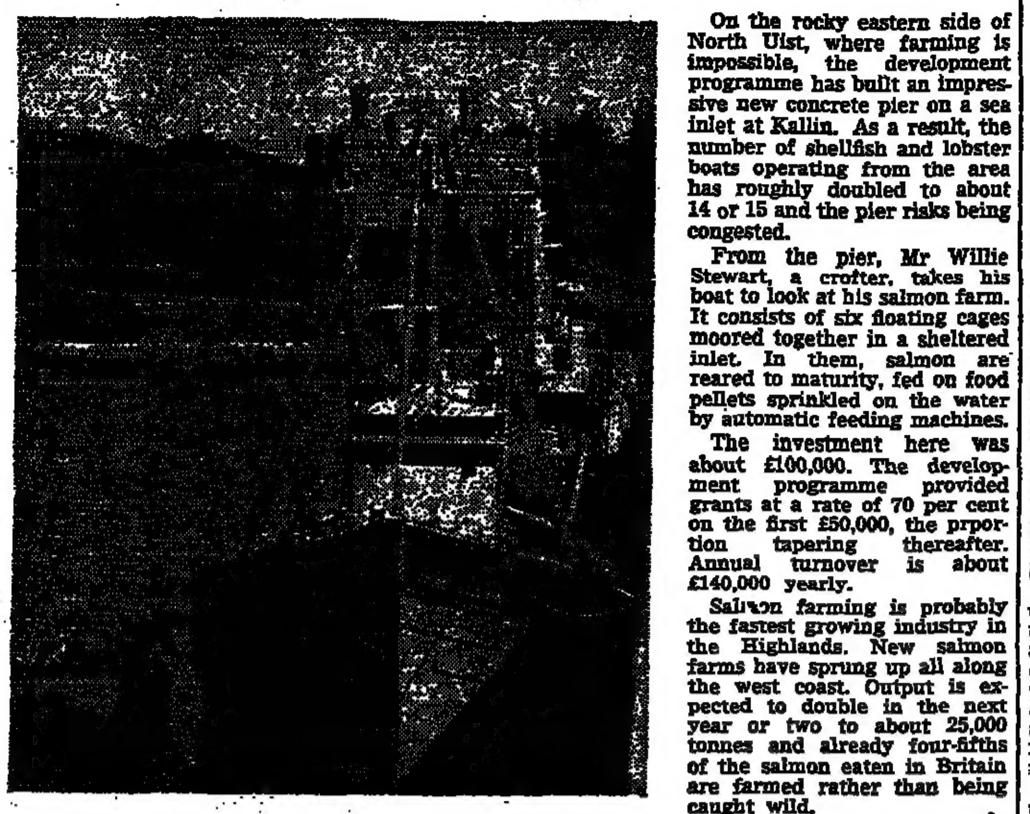
Instead of concentrating on prestige projects imposed from above, the integrated development programme involved working with farmers and fishermen to improve their activities and putting in small pieces of infrastructure, such as piers and community workshops. In all, some £28m has been invested over the past five years, of which about £7m has come from the EC, £14m from the Government — some through the HIDB — and an impressive £7m from the crofters themselves.

On top of that, £30m has been spent on infrastructure improvements such as road building, drainage and public transport with enhanced aid from the EC amounting to £12m.

"When I started arguing for this scheme in Brussels at the beginning of the decade people told me it wouldn't work," says Mr Cramond, a warm but very determined 60-year-old Scot. "They said the islanders were too lazy and had got enough grants and subsidies already."

Now, however, the consensus in Scotland is that the development programme, which ended in May, has been a success, though a last-ditch campaign to persuade the EC farm ministers to extend it for a further two years has failed. Mr Sandy Matheson, the portly convenor of the Western Isles Council, says: "We know intuitively it has been a success. It has been a great psychological boost."

In agriculture, that boost to morale may be as important as the economic gains, for both



The programme has increased facilities for fishermen

the scale of farming in the Western Isles and the increases in livestock the programme has brought are puny compared with other parts of Britain.

It offered farmers aid in two ways: for bigger crofts there were comprehensive programmes that had to be agreed on by the crofters and programme administrators. Other crofters could choose from a long "a la carte" menu of assistance grants for such items as new fencing and the re-seeding of pastures.

One crofter who agreed to a comprehensive programme is Archie MacDonald, who combines working as a joiner with running five crofts on Benbecula, totalling about 100 acres. This makes him one of the larger farmers in the Western Isles.

Altogether, between £45,000 and £50,000 has been spent on his land. Of that, £33,000 went on a large shed to keep livestock in winter and provide protection against the gales for the rest of the year. Mr MacDonald did the work on the shed himself.

He used to have only three or four cows. Now he has 12 and plans to go up to 20. He also has 75 breeding ewes and intends to increase the flock to 100.

A detailed study of the effects of the development programme by Professor George Houston, of Glasgow University, found that on the 200 crofts that carried out comprehensive improvement plans the number of sheep rose by 20 per cent. On those not participating, it fell by 2 per cent.

There was a dramatic fivefold increase in the sale of lambs to the mainland, reaching 20,000 in 1986. A long decline in the number of cattle was arrested.

Livestock sales have been made easier by the building, under the programme, of a brand-new new livestock market at Lochmaddy in North Uist, complete with pens and an auction-ring. "Before this was built, the crofter sold his sheep on the roadside near his croft and the dealers who come across from Aberdeen were able to get away with rock-bottom prices," Mr Cramond says.

Prof Houston says that if the development programme were repeated, the emphasis should be on giving aid under the comprehensive programmes rather than the "a la carte" system which, he implies, is too piecemeal to be really worthwhile.

On the rocky eastern side of North Uist, where farming is impossible, the development programme has built an impressive new concrete pier on a sea inlet at Kallin. As a result, the number of shellfish and lobster boats operating from the area has roughly doubled to about 14 or 15 and the pier risks being congested.

From the pier, Mr Willie Stewart, a crofter, takes his boat to look at his salmon farm. It consists of six floating cages moored together in a sheltered inlet. In them, salmon are reared to maturity, fed on food pellets sprinkled on the water by automatic feeding machines.

The investment here was about £100,000. The development programme provided grants at a rate of 70 per cent on the first £50,000, the prportion tapering thereafter. Annual turnover is about £140,000 yearly.

Salmon farming is probably the fastest growing industry in the Highlands. New salmon farms have sprung up all along the west coast. Output is expected to double in the next year or two to about 25,000 tonnes and already four-fifths of the salmon eaten in Britain are farmed rather than being caught wild.

The programme provided particularly attractive grants for farms established in the Western Isles.

The equivalent of about 180 full-time jobs have been created. Although about half that production comes from four large farms (owned by three companies) two thirds of the jobs are provided by smaller, locally owned farms.

The Highlands and Islands Development Board and the islanders wanted to see EC Farm Ministers extend the development programme for a further two years. Some of the farmers involved felt the changes had been too telescoped to get full benefits and there are lingering doubts as to whether the improvement in farming will be sustained without continued support.

However, the EC told the Scottish Office this week that it thought nearly all the programme's objectives had been met.

Now the development board is telling the salmon farmers that they must improve their marketing and maintain quality if they are to weather any collapse of prices resulting from the vast increase in output now inexorably under way in Scotland. The islanders must now live up to what is expected of them.

Amoco North Sea find might hold 70m barrels

BY LUCY KELLAWAY

AMOCO, the US oil company, yesterday announced an oil discovery in the North Sea, the latest of a series of recent finds in the region.

The company said it had completed a well on block 210 in the northern North Sea and oil had flowed at up to 4,500 barrels a day. It said it was encouraged by the results and that further drilling would be carried out to determine the extent of the find.

Amoco declined to estimate reserves, but Wood Mackenzie, the Edinburgh-based stockbroking firm, said the field might contain at least 70m barrels.

Other analysts believe the field might be even bigger. Schroder Securities estimated the find at up to 300m barrels of recoverable reserves. That would make it one of the largest North Sea discoveries of recent years.

Wood Mackenzie noted that the find was close to the Tern field being developed by Shell and Esso, so it might be developed relatively cheaply using existing facilities.

● BP plans to built a £15m plant at its Grangemouth refinery which will convert liquefied petroleum gas into feedstock suitable for making high-octane petrol.

The plant will be on a commercial scale, but its main purpose will be to test the "cyclar" conversion process which it has developed jointly with UOP.

BP said the process was likely to be used in areas where LPG was plentiful or where there was a need for the hydrogen produced as a by-product.

Legal Notices

No. 003472 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
TRANSFESA TERMINALS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 7th July 1987 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £1,830,998 to £200,000.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Harman at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 27th day of July 1987.
ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.
DATED the 18th day of July 1987

MASONS
10 Fleet Street
London EC4Y 1BA
Ref: IM/NT
Tel: 01-583 9990
Solicitors for the above-named Company

No. 003434 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
CENTRAL & SHEERWOOD
PUBLIC LIMITED COMPANY
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 3rd day of July 1987 presented to Her Majesty's High Court of Justice for the confirmation of:—
(i) the reduction of the capital of the above-named Company from £8,810,800 to £3,881,112.32 and
(ii) the cancellation of the Share Premium Account of the said Company.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Harman at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 27th day of July 1987.
ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account and reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.
DATED this 18th day of July 1987.

BERWIN LEIGHTON of
Adelaide House
London Bridge
London EC4R 9HA
Ref: IL(EJR)
Solicitors for the above-named Company

Societies lend £3.2bn for mortgages in June

BY HUGO DIXON

BUILDING SOCIETY mortgage lending topped £3bn last month, for the first time this year, as the summer home-buying season got under way, according to figures published yesterday by the Building Societies Association.

Gross mortgage lending was £3.2bn, up from £2.8bn in May but less than the £3.4bn advanced in the corresponding period last year. After the mortgage repayments are deducted, net mortgage lending was £1.8bn.

Societies performed better than expected in the retail savings market, attracting a net inflow of £556m. That is close to the average amount attracted in the previous months of this year but the full effect of the second call for money from British Gas shareholders, which was spread over May and June, had been expected to lead to a lower figure.

The main explanation for the relatively good showing is the decision by most societies not to cut the rates paid to savers in a period when base rates were falling and National Savings, a main competitor for retail funds, reduced its rates.

As a result, there was only a small funding gap, most of which was filled by the industry running down its liquid assets. The liquidity ratio, which measures the ratio of liquid assets to total assets, fell from 16.9 per cent to 16.6 per cent on a seasonally adjusted basis.

Little resort was made to the wholesale financial markets, which societies have used extensively in recent months to finance buoyant mortgage demand. There was, in fact, a net outflow of £42m to the wholesale markets last month, the first time the figure has been negative since February last year.

● Halifax Building Society has bought Beardsley Theobalds, an East Midlands estate agency, for an undisclosed sum. The 28 offices will continue to trade under their present name.

Decision on how to sell off electricity 'by end of year'

BY MAURICE SAMUELSON

A DECISION in principle on how the electricity industry will be privatised is hoped for at about the end of the year, according to Mr Michael Spicer, junior energy minister in charge of the industry.

He said a privatised industry should "allow for as much competition between the compenent parts as possible," but there were "technical factors" that made the matter a complex one. Extensive consultations are taking place on the structure of a privatised electricity supply industry.

Mr Spicer, addressing a Confederation of British Industry conference on nuclear power in London, voiced support for a "safe and economic" nuclear sector.

He defended the Government against charges that it was obsessed with nuclear energy, adding that it fully backed efforts to put the coal industry back on its feet so that it could again "pay its way."

Mr John Banham, CBI director-general, listed reasons why Britain should have more nuclear power stations: to meet growing electricity demand and replace obsolete plant, to achieve greater fuel diversity, because they were more economic and because fossil fules were finite.

In spite of recent improvements in UK energy prices, CBI members continued to report that they were higher than in comparable plants on the Continent.

LABOUR NEWS

GM wins union approval for Isuzu deal

By Jimmy Burns, Labour Staff

GENERAL MOTORS said yesterday it had secured union approval for its joint venture with Isuzu of Japan at the troubled Bedford van plant near Luton.

Officials of all five unions involved have yet to formally sign an agreement. But the company is satisfied that it has removed any remaining hurdles in the way of signature by July 25, the date when the Luton plant breaks production for the summer period.

Union officials said yesterday they had withdrawn a threat to force a fresh ballot of employees on the joint venture after the company had agreed to modify its latest list of demands.

On Tuesday the company tabled proposals which the unions claimed excluded earlier assurances that local union officials could be involved in the proposed new works council and that there would be an annual as opposed to a two-year review of salaries and conditions.

It is understood that the company subsequently agreed to a package that, in its wording, was much closer to that drafted two weeks ago when employees at the Bedford plant voted by 789 to 605 in favour of the joint venture.

The agreement, in what is now widely accepted as its final version, nevertheless represents a radical package.

NHS staff likely to accept offer

By Our Labour Staff

ABOUT 250,000 National Health Service ancillary workers are expected to accept a "final" pay offer of 5 per cent, raising their basic weekly rates to between £81.13 and £106.75.

Union negotiators are not recommending the offer, however, because they say it fails to recognise that the ancillaries—mainly hospital porters, cleaners and catering staff—have slipped badly behind comparable workers in pay terms

The offer, improved from a previous one of 4 per cent, would give an extra £4 a week to non-supervisory staff and £5 to supervisors. It is tied to a proposal for further talks on grade restructuring.

Striking Yorks miners threatened with dismissal

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH COAL yesterday warned 14,000 South Yorkshire miners involved in a strike over the corporation's revised disciplinary code that their action could lead to dismissal.

Mr Jack Taylor, leader of the Yorkshire National Union of Mineworkers, said British Coal had further inflamed miners' anger over the disciplinary code, and escalated the dispute, by "chucking more wood on the fire."

It is almost certain that the 16 pits in the North Yorkshire coalfield will join the increasingly bitter dispute on Monday following branch meetings over the weekend.

The warning was issued in a letter from Mr Tony Lawson, the manager of Frickley colliery, which is at the centre of the dispute.

Frickley's 900 miners started a strike on Monday, and subsequently picketed 15 other pits in the area, after five miners were suspended for refusing to attend a disciplinary hearing.

The letter said: "I would be failing in my duty if I allowed the stoppage to continue without making it clear that strike action is a serious breach of your contract of employment, that it will lead to disciplinary action and this may include dismissal."

British Coal said that while disciplinary action short of dismissal would be taken against the Frickley miners, the letter had been sent to the other miners for information. The relevant pit managers would have to send out separate letters should they wish to issue formal disciplinary warnings.

Mr Taylor said that while there had been informal talks with British Coal there had been no detailed discussions over the dispute. He said: "This is a problem that needs solving rather than inflaming. We need to get round the table. There are serious flaws in the code which could be amended, or withdrawn after discussion."

The North Yorkshire miners are set to join the dispute even though the corporation has not yet decided whether it will reinstate Mr Ted Scott, a popular union official, who has been dismissed from Stillingfleet, a colliery in the area.

Mr Scott's appeal against his dismissal, which was linked to a dispute over weekend work, was heard yesterday morning. Confirmation of Mr Scott's dismissal would provoke widespread anger among North Yorkshire miners.

However, Mr Kevan Hunt, British Coal's director of industrial relations, indicated that it would take a firm line in the case. The NUM said Mr Scott was dismissed for going about his normal union business.

TUC privatisation policy to be opposed

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE TUC is to be pressed to review its demand for privatised industries to be brought back into public control, taking account of the general election result last month.

Resolutions to be tabled for debate at the TUC Congress in September will call for recognition that public services sometimes have a poor image, that work needs to be done to improve them and that shareholders should not be penalised by renationalisation

Leaders of the Union of Communication Workers are expected this week to give formal approval to a resolution, in the union's name, warning that shareholders cannot be expected to surrender their rights.

Some union leaders feel that the Labour Party's policy on restoring "social ownership" of British Telecom and British Gas was a liability at the election and cost the party support among worker shareholders and the wider public.

In a resolution already formally submitted and published, Nalgo, the white-collar union, calls on the TUC to reaffirm its policy that British Gas and "other privatised utilities" should be brought back int opublic ownership.

However, the Nalgo motion goes on to say that this "requires a commitment to work for better and more responsive services and for less monolithic, distant and conservative structures and management methods which, fueled by chronic under-investment and Government-imposed cuts, have undermined public support for public services."

TGWU calls for boycott of hotel chain

BY JOHN GAPPER, LABOUR STAFF

THE Transport and General Workers' Union yesterday called for a general union boycott of the Moat House hotel chain over a long-running recognition dispute prompted by the sacking of 52 staff.

The workers were dismissed after going on strike at Queen's Moat Houses' hotel in Liverpool during a dispute over working conditions.

Talks between the company and the TGWU are to continue next week after being adjourned on Wednesday.

The dismissed workers joined the TGWU shortly before they went on strike, claiming that the company had failed to pay agreed overtime and was attempting to limit the provisions of a sick pay scheme.

Mr Alan Reed, the company's solicitor, said that the hotel group had been "boxed into a corner" by the union's insistence that it should be recognised, which he believed would make a resolution of the dispute difficult.

He denied that the company was opposed to unions in principle, but said that the TGWU did not represent the majority of the 120 workers at the Liverpool hotel.

Mr John Farrell, the TGWU's district secretary, said that the union was pressing for reinstatement of the workers, improvements to working conditions, and recognition in areas where it represented the majority of staff.

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Saturday July 18 1987

The hazardous joys of growth

THERE IS no great mystery about the sustained growth in employment in the UK. Everything else is growing too. The production industries are now raising their output at an annual rate of more than 4 per cent, with manufacturing growth at 5.7 per cent. Against these figures the rise in employment, at just over one percentage point, is remarkably modest. The British productivity "miracle" (if slowly catching up with continental Europe counts as a miracle) is clearly continuing.

What is more surprising, on the face of it, is that both the Chancellor and the financial markets continue to inspect these encouraging numbers with the closest suspicion. The Chancellor complains that wages are rising excessively; the City, observing that unit costs are rising at less than 1 per cent a year, is not too worried about this.

Financial analysts are, on the other hand, worried about the rising costs of other inputs, and the possibility that industry is nearing the limits of plant capacity. There are warnings of inflation to come. The Chancellor is inclined to brush these particular worries aside.

The Chancellor's strictures on pay are very familiar by now, but are they justified? Mr Lawson's statement that wages are rising at "three times the rate required to maintain real incomes" sounds striking, but does not actually mean anything. The rise in earnings is three times as big as the rise in the tax-price index, which does not tell us whether it is sustainable or not.

Catching up

The rise in unit costs does suggest that wage increases are being a little overdone. However, there is nothing to suggest that current earnings increases would be worrying if the rise in productivity could be sustained at its recent remarkable rate.

At bottom, then, the Chancellor's worry is the same as the City's: both believe that the underlying growth rate is well below recent levels. We are essentially catching up with the growth lost during 1985 and the first half of 1986, when output and productivity increases were low and unit costs were rising very fast. Recent growth and unit cost figures are too good to last.

The history of the whole recovery of the 1980s presents a remarkably consistent picture of earnings rising about twice as fast as productivity. This would suggest a steady loss of competitiveness; but here, as the Chancellor points out, the facts are much more encouraging. Britain's share of world export markets stopped falling some time ago, and may now even be rising.

This contrast may explain why the country seems able to live quite prosperously with "excessive" wage increases. The bulk of our export trade is done by quite a small number of predominantly multinational companies, and many of these companies are achieving far above average increases in output. Car production, for example, has risen no less than 20 per cent in the past year.

These dynamic companies can afford to set a pace in wages which is not matched by productivity in the rest of the economy. For that reason inflation is indeed likely to persist and may even rise a little; but exports may remain fully competitive, or even increasingly so, as output grows.

This picture would change very suddenly, though, if industry were soon to run into a buffer of plant capacity. This is the fear not only of some City analysts, but of the Nedo forecasters and the Labour critics of government policy. The evidence suggests that there are some potential capacity problems, but of a very special kind.

Reserve waiting

While half the CBI membership still reports that it is working well below capacity, some shortages are beginning to appear in chemicals, steel, cement and the like. All these products are made in continuous-process plants, whose output potential is determined by engineering.

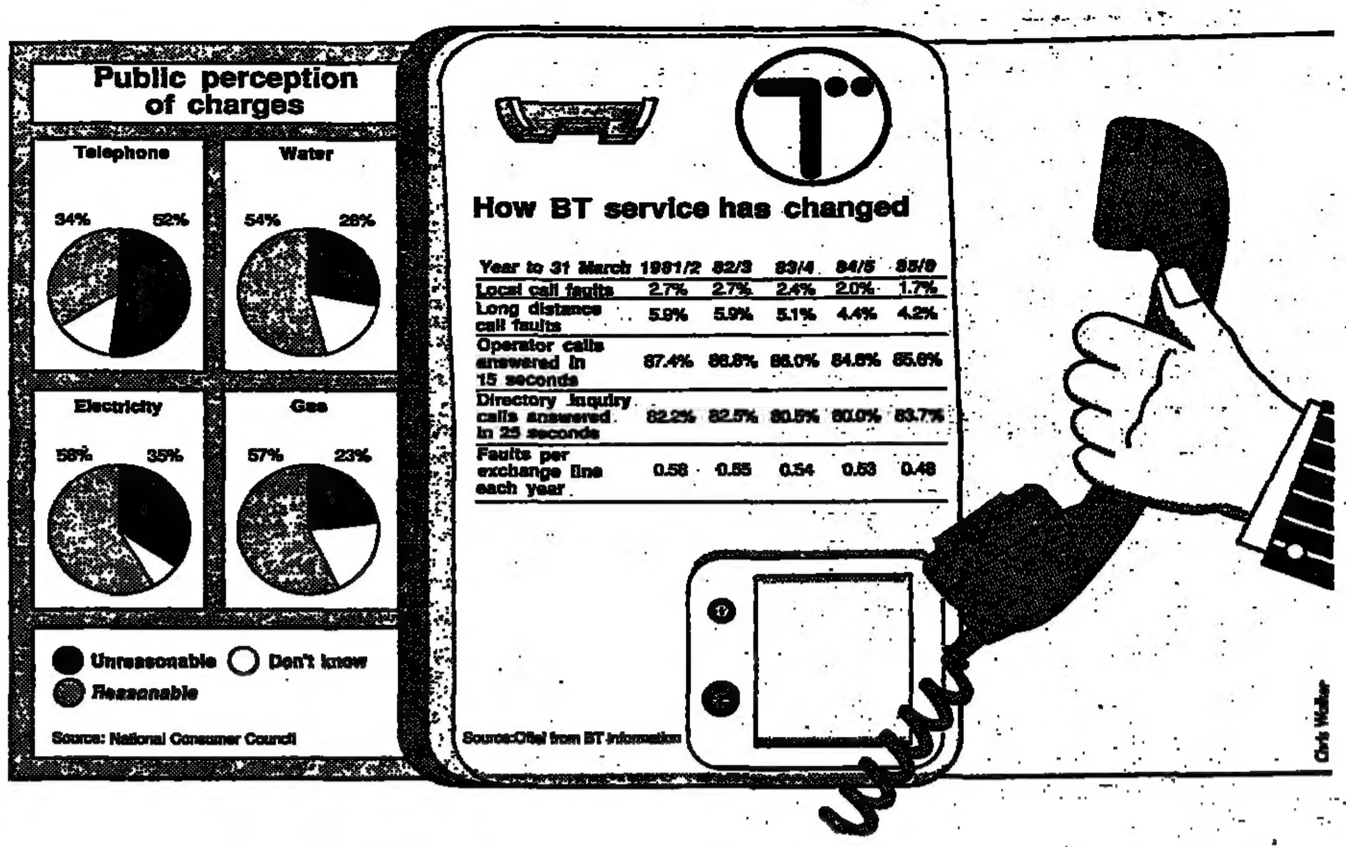
These plants tend to be very large, for reasons of technical economy, so that building a new one would add quite a noticeable percentage to total capacity. Investment decisions on this scale require a confidence about future demand which may be difficult to sustain in a world of volatile exchange rates, and are sensitive to the cost of capital.

In the rest of industry, though, there is a very large reserve of potential capacity which can be tapped simply by working plant for longer hours. Only one worker in eight at the moment is required to work a shift—even a double day shift. Night shifts are a tiny rarity.

The turnround in employment growth may be telling us that while much investment is still designed to raise technical efficiency and thus labour productivity, growth is beginning to rely more on raising the productivity of all this new plant by working it longer. Capacity constraints could thus mean more employment growth, not *less.*

British Telecom is the subject of fierce consumer criticism. **David Thomas** reports

Public pressures, private grief



Year to 31 March	1981/2	82/3	83/4	84/5	85/6
Local call faults	2.7%	2.7%	2.4%	2.0%	1.7%
Long distance call faults	5.9%	5.9%	5.1%	4.4%	4.2%
Operator calls answered in 15 seconds	87.4%	86.8%	86.0%	84.6%	85.6%
Directory inquiry calls answered in 25 seconds	82.2%	82.5%	80.5%	80.0%	83.7%
Faults per exchange line each year	0.58	0.55	0.54	0.53	0.48

GISELA BURG believes *British Telecom began to* take her seriously only after she contacted journalists about her problems with Britain's privately owned, near-monopoly telephone operator.

At the start of May, her company, Expotus, which exports professional audio products for small specialist UK manufacturers, was expecting a routine upgrading of the local telephone exchange in Holborn, central London. Instead, the next 10 days were a nightmare.

On May 1, her phones went dead. She contacted her local BT office and was told there was nothing seriously wrong. "The consumer and technical people gave me all sorts of lame excuses," she remembers.

After three days, she faxed Sir George Jefferson, chairman of BT, asking for an explanation. There was no reply. Meanwhile customers around the world were puzzled. "Tens, if not hundreds, were telexing to ask if we'd gone out of business."

BT's attitude changed totally when she started publicising her problems. "I now get an engineer calling almost every day asking about my phones."

Not far from Ms Burg, Joe Roeber, an oil consultant, had been suffering since about November. His callers would hear a ringing tone, but the phones did not ring at his end. Meanwhile, his phone would ring hundreds of times a day, *but with no one at the other* end.

"The combination was devastating. It's been a miserable six months," recalls Mr Roeber, who says BT's engineers did absolutely nothing. "They came here, faffed about, and kept changing their story about what the problem was. They didn't seem to have a system for tracing the fault."

There are many people like Ms Burg and Mr Roeber who grumble about BT, though not all have quite so much cause. Last year, the number of complaints reaching the Office of Telecommunications (Oftel), the industry's regulatory body, jumped 56 per cent (although increased public awareness of Oftel's role may explain some of the rise). Politicians and newspapers receive a steady trickle of horror story letters about BT.

Most of these tales inevitably go unheard. In the past three weeks however, the ranks of fed-up BT customers seem to have found a voice.

Earlier this month, the National Consumer Council released a survey of public opinion pointing to widespread dissatisfaction with BT services. And this week Professor Bryan Carsberg, director general of Oftel, voiced precise worries about, for instance, BT's failure to keep to appointment dates. Age Concern also joined in with a report claiming that "elderly and disabled consumers are worse off in every aspect of telecommunications services since BT was privatised"—a charge BT denies with particular vehemence. The Spectator, magazine of the thinking right, this week offers an old telephone box to the reader with the best horror story about BT.

Continuing failure by BT to improve its rating with customers could have a number of consequences.

● It may have a profound impact on decisions on reshaping the framework of Britain's telecommunications for the *1990s.*

● It could give privatisation a bad name and affect the way other utilities, particularly the electricity industry are sold off.

● More immediately, but perhaps less likely, it might alter the timing of the Government's sale of its remaining 49.8 per cent stake in BT.

But is it fair to say that BT's overall quality of service leaves much to be desired?

Iain Vallance, chief executive of BT, says he was dismayed—though not particularly surprised — by the intensity of the criticism during the past few weeks. He recognises that the roots of the complaints go deeper than irritation about crossed lines.

"The way in which the dissatisfaction has been expressed is quality of service, but it is not just that." He continues: "Some people feel that profits and tariffs are too high. They have a feeling that we are still an unapproachable and uncaring company."

BT has point-by-point answers to these worries. Its rate of return is not out of line with the market, as Oftel confirmed last year. Prices for its main services have risen less rapidly than inflation. Even residential customers, who have fared less well than businesses, on average have not had to pay more to BT: "Bills of the typical domestic customer have increased in line with inflation," Professor Carsberg said recently.

BT is computerising its customer services in a bid to *smooth relations between local* BT offices and the public, one of the greatest sources of irritation at present. For instance, over the next couple of years it hopes to be able to give everyone an appointment for service visits which is accurate within two hours. BT is also spending large sums on improving sensitive services: £160m on telephone boxes and £100m on computerising directory inquiries.

Yet the feeling persists, not least among some BT insiders, that the company's response to the new era of competition has been plodding. In some areas, particularly the newer value-added business services, the morass of BT bureaucracy makes it difficult to get a quick response to new proposals.

"I left because we had become embraced by the warm arm of BT corporate culture," explains one executive who recently gave up the struggle.

He defines that culture as "a fear of making a decision in case you are wrong. In most commercial organisations, the fisrt thing people do is give you their card. In BT, people prefer to remain anonymous."

On its main network, BT is having to jettison decades of certainty that it knew best. "The company is run by engineers who think everyone else is a bloody amateur. They know that the percentage fault rates are not that bad, so what is everyone complaining about," says another ex-insider.

With these attitudes ingrained in many BT workers, an *explosion of anger about the* company's quality of service was probably inevitable. Mr Vallance argues that three factors have made 1987 a particularly difficult year.

First, there was the strike by BT staff early in the year. BT had to cope with a backlog of new orders and repairs. "The legacy was—perhaps rather greater than we thought at the time," Mr Vallance admits.

Second, faults disrupted some new local digital exchanges—although only a few tens of the 700 installed, according to BT. The faults were due to software problems at its suppliers and inadequate preparation by BT for the task of speeding up introduction of new exchanges.

"Murphy's law being Murphys law, a number (of the faulty exchanges) were in sensitive parts of London," Vallance says. Holborn and Euston were particularly badly hit.

Third, there were surges of demand, particularly in the City, which BT says neither it nor its customers foresaw. "We thought that demand from Big Bang might flatten out this year, but it's taken off further," says Mr Vallance. The City is still demanding 2,500 new private circuits a week.

Some relief came this week from Oftel, which released figures (shown in table) suggesting a slow improvement in BT's performance since 1981. But Oftel's Professor Carsberg damned the company with faint praise: "Our best assessment is that quality has improved a *little though perhaps not as* much as one would have wished," he said.

Oftel went on to pick out two areas for improvement: the provision of new lines and repairing of faults within a specified period. Professor Carsberg is floating two ideas.

BT may be forced to accept contractual liability, including financial penalties, for failing to meet target dates for new lines or fault repairs. Another method would be to build quality of service targets into the formula governing BT's pricing arrangements. Each day's delay in offering services or repairing faults could lead to a cut in the revenue BT is allowed to raise.

Imposing a financial penalty on BT for poor service is precisely the sort of demand that aggrieved customers like Ms Burg and Mr Roeber want to make. *But BT is — not surprisingly — unenthusiastic* about these proposals.

Mr Vallance thinks they may be impractical: how could tough, but realistic delivery dates be set down for the City, when everyone, including customers, have vastly underestimated demand? Such a penalty could, moreover, hand a weapon to BT's unions—a go-slow would immediately hit the company's revenues.

BT's failure to make up its mind about another of Oftel's suggestions—that the company should publish performance targets, and actions taken to meet them—is also sending the wrong signals.

Mr Vallance is confident BT will have climbed out of its present trough by April next year, the earliest that the Government could sell its remaining shareholding.

However, the company does not expect to meet its broader target—to offer customers a service second to none in the world—until 1990. Only then will the modernisation of its network be substantially complete.

By then however, the key decisions on BT's regulatory framework will probably have been taken. The Government is due to decide in 1989 whether to allow businesses to act almost as sub-contractors, leasing lines from BT and re-selling them for voice traffic. It will also decide whether to break up the duopoly of BT and Mercury Communications in 1990.

Professor Carsberg, speaking to MPs this month, hinted that he expected the resale of lines to go ahead, but was more circumspect about whether the duopoly would be broken.

By then, steam might have built up behind the demand for BT's grip on the UK telecommunications market to be weakened further. The trick will be to avoid making Mercury, BT's fledgling rival, the main casualty of extra competition.

The competition faced by BT remains extremely patchy. The company has reacted most aggressively in those areas where it has faced the greatest challenge—the supply of equipment, one of the earliest areas liberalised; and the growth in demand following Big Bang, one of Mercury's target areas.

Mercury has so far put most of its energies into chasing customers in the City and among large companies. But it has also launched services for residential and small business customers—although BT is bound to remain dominant at this end of the market for the foreseeable future.

Even in those areas where further competition is likely, effective regulation of BT will be needed for some time. Call-boxes are an example.

Oftel believes that BT has been trying to improve its call-boxes: modernising them and—contrary to worries expressed when it was privatised—increasing the number.

But Professor Carsberg also says: "I still have to satisfy myself that repairs are made as quickly as possible and that steps are taken to identify promptly call-boxes that are out of use."

Oftel is considering removing BT's monopoly over privately rented call-boxes—those found in hotels and restaurants. But even if this monopoly is taken away it would probably be years before BT's overwhelming position was eroded.

Moreover, Oftel is hesitant about removing BT's monopoly over public telephone boxes because of the desirability of keeping loss-making boxes where there is a social need.

The BT row could force ministers to make competition more of an issue in future sell-offs. Indeed Government supporters are worried that a continuing bad press could reflect badly on the rest of the privatisation programme. Paul Johnson writes in this week's Spectator that BT is on its way to becoming "the most loathed institution in the country. . . The danger for the Government, and indeed for all of us who value freedom and hate the all-enveloping state, is that BT will bring the entire concept of privatisation into disrepute."

Man in the News

Syd Silverman

Wall St nixed as Syd pix Brit bucks

By James Buchan

WE'RE NOT talking whammo b.o. We're not even talking socko. Thirty three thousand circulation is not the kind of box-office gross you're going to put up an SRO sign outside the drive-in.

So why is Reed International, Brit publisher, paying Syd Silverman megabucks for Variety, the showbiz trade paper with the corniest slang and most unreadable front page of any product from Gotham to the Coast? And why is fifty-ish, elegant, Ivy League Syd selling the paper his grandfather founded, a paper older than pix?

You can see Syd Silverman through the window of Variety's pokey offices on West 46th Street, straight off Gotham's legit strip.

Squashed in with him is son Mark, one of three children who are exes. In back, reporters bash at pre-war typewriters. The place looks like a set for The Front Page. It looks like nothing's changed since Grandpa Sime Silverman founded a vaudeville paper in 1905 and Grandma Silverman drew the famous masthead with the big, big V on the back of a restaurant napkin.

For most of showbiz, nothing has changed. Weekly Variety is still the Wednesday morning bible. *It has a bit of chatter* and some rude reviews that nobody takes much notice of. But most people are going to wade through the morass of bpsiness information about pix, tv, feevee, legit, niteries, homevid. If you are a theatre owner and you want to know if The Untouchables will make your fortune, Variety tells you: the film did a boffo \$56m in 40 days. You want to know what pictures are being made and where, for how much, who is auditioning, who's in Gotham and who's in LA, you'll find it in Variety—eventually. "We're not going to win a prize for graphics," said Syd Silverman in a sesh this week. "There's just lots of names and info. That's why the people read us."

Even Cahners, a subsidiary of the Reed International group, doesn't want to change Variety. The word is Cahners paid Syd Silverman the best part of \$50m for weekly Variety, published in New York City, and the daily version that is published in Hollywood with an overlapping circulation of 22,000. But it has left Syd Silverman and all three of the younger *Silvermans in place* with five-year contracts. "They ain't broke, so why fix it?" sez veep Walter Cahners.

But times are changing in Hollywood and Syd Silverman is changing with them. With the sale of Variety, Hollywood's pioneer is well and truly laid to rest.

An engagingly cool man, it is hard to associate him with the world of blockbusters and bombs, or imagine him fired up about anything, unless it is the vintage Allard sports cars he races at weekends.

Decidedly old fashioned, he never questioned going into the family business. He inherited the paper in 1950, when his father Sidney died, and took over full time in 1956, after Princeton and the army. "*I never really had another* job," he says simply. Variety was still dominated by the memory of his grandfather, Sime. "There was a strong sense of the ghost of Sime," says Les Brown, who joined the paper in 1953 and still occasionally snipes at Syd from rival Channels magazine. "We used to say Sime's ghost runs the paper. Probably still does."

Sime launched Variety with \$2,500 from his father-in-law after being sacked from another paper for not buttering up advertisers. He made a creed of an independent spirit—no mean feat, in an industry of swollen egos—and, it seems, editorial parsimony. "In the trade field, journalism can be a little bit corrupt," says Les *Brown.* "*We knew you could* never make deals with advertisers. And it was always kinda cheap. When I worked there, there was never enough scissors or paste pots." It was also Sime who ordained the peculiar language of the paper, which began as the backstage patois of Broadway but is now the lingua franca of the entertainment and publishing industry. Baloney, corny, hype, mogul, moppet, bimbo—you name it, Variety coined or popularised it.

"As entertainment evolved, so did Variety," said Syd Silverman. The first films were reviewed in 1911-12, and then gradually movies took over the paper. In 1924, a radio department was set up. Sheet music reports gave way to coverage of recorded music. Sound came to the movies. Though Sime lived in New York all his life, he recognised the growing importance of Hollywood by founding the daily Variety there in 1933. "He was a friend of the whole pioneer generation. These were very colourful people, with very big egos. There were big fights," says Sid Silverman. At Sime's death Mae West is supposed to have sent 500 orchids.

Syd Silverman, too, cautiously followed the industry into new media: television, cable, home video and (rather hesitantly) the explosion of the popular record industry. He has opened a half-dozen overseas offices and toned down Variety's jargon so that French actresses and Georgian film directors are not entirely bemused.

But as it has expanded "horizontally," Variety has found it increasingly hard to stave off competition from more specialised newspapers. And Syd Silverman himself has no sympathy at all for the new shape of the industry, with the main studios owned by industrial giants like Coca-Cola or Gulf & Western.

"The *pioneer era has just* about gone," he says. "We are now into corporate control of most entities, with professional managers who don't control stock. Companies are put in play and there is an investment-banking philosophy that I don't like. There is no stability: no stable management which can enjoy good relations with the creative people." Somewhere along the line, Syd Silverman decided that if Variety were to continue to cover the industry, it might need capital and resources from outside. He loathes Wall Street "with its relentless pressure for larger profits every quarter." In the end, he decided on a parent company in distant England, with an unquoted US subsidiary which does not own a movie company.

"Up to now, the answer was always no," he says. "But they want us to operate in the same independent fashion as we've done for eight decades."

France finds a place in the crossfire

Edward Mortimer on the roots of the latest Franco-Iranian row

THE PRESENT crisis between France and Iran may seem identical in form to the one between London and Tehran in May and June of this year. But the interests which France has at stake in the current crisis are of a wholly different order.

France has never had the intense political and economic involvement with Iran which Britain had for the best part of a century before the break with Mossadegh in 1951—or even after the Shah's restoration under American auspices in 1953. Instead, during Jacques Chirac's first premiership in 1974-76, the French established a close relationship with Iraq, where British influence had been effectively ended by the revolution of 1958. France also gave asylum to some of the Shah's political opponents, including most famously Ayatollah Khomeini, in the crucial months of October 1978 to January 1979.

On might have expected this relationship to be reversed after the revolution, with France becoming the preferred Western interlocutor of the new Iranian regime. But that was not the case. If the Ayatollah felt any gratitude for his four months' stay at Neuphle-le-Chateau, it was soon eclipsed by anger that France should give the same hospitality to his exiled opponents as it had done to the Shah's.

In the eyes of the Ayatollah and his supporters, however, France's continued support of Iraq was a far worse affront. Paris provided large-scale arms supplies to Tehran, mostly on credit, after Iraq's spectacular invasion of Iran in September 1980. The life-or-death struggle which that invasion inaugurated is, nearly seven years later, still being fought out.

France was by no means alone among Western powers in hoping that the Iraqi onslaught would succeed in bringing about the collapse of the Iranian revolutionary regime. But only France made such a direct and visible contribution to the Iraqi war effort.

This was rationalised as defending the front line of Western civilisation against the destructive tide of Islamic fundamentalism. But undoubtedly the main consideration was simply that the existing French investment in Iraq was too large to be sacrificed, whether by allowing the Baathist regime of President Saddam Hussein to be defeated or provoking its anger by withholding French help. This argument weighed just as strongly with President Francois Mitterrand as with his predecessor, Valery Giscard d'Estaing.

France's support for Iraq has never wavered, but the awkwardness of being seen as an enemy by Iran has become steadily more apparent. For a time it was partially obscured by confusion about other aspects of France's Middle East policy. President Mitterrand was noticeably more sympathetic to Israel than any of his Fifth Republic predecessors.

He also sent French troops to Lebanon in 1982 as part of the American-sponsored Multinational Force. This rapidly came to be seen as the guarantor of President Amin Gemayel's attempt to restore Christian hegemony in Lebanon and to contain the rising power of the Lebanese Shi'ites. France's historic ties with the Maronite community were recalled and many influential people in France saw it as France's historic mission to shore up Lebanon's Christians against the Islamic tide.

All these were seen as reasons why French diplomats were murdered in Lebanon; why her troops there were the victim of a suicide bomb attack in October, 1983; why a number of her citizens were held hostage by extremist Shi'ite groups; and as possible explanations for terrorist attacks in France itself.

But by the time Mr Chirac returned to power in March last year, the conviction was hardening that Iranian enmity was the main source of France's problems in the Middle East. In particular, Iran was seen as holding the key to the fate of French hostages in Lebanon. Mr Chirac embarked on an attempt to "normalise" relations with Iran.

He had a carrot to offer in the shape of money owing to the Shah's Government, which Iran was all the more anxious to lay hands on, as its oil revenues declined. It is also virtually certain that France offered to sell arms to Iran, and some consignments may have been delivered.

But what France did not offer, as far as is known, was the thing Iran most wanted —a suspension of arms shipments to Iraq. Indeed, last summer France supplied Iraq with aircraft whose refuelling capacity enabled them to attack shipping far down the Gulf, threatening the shuttle between Iran's key oil installations at Kharg Island and Sirri—and so raising insurance premiums on Iranian oil to levels which were prohibitive

The rapidity with which the September bombings in Paris followed this development strongly suggested an Iranian connection to many Middle East watchers. French investigators were at first thrown off the scent by the apparent involvement of the Abdallah family—Lebanese Christians operating from an area ostensibly under Syrian control. But, since the arrest of Mohammed Ali Hamadei in Frankfurt last January, the French police have obtained evidence implicating a network of Islamic activists, some North African and some Lebanese, with connections to the pro-Iranian Hizballah party in Beirut.

That trail, it seems, has now led to Mr Vahid Gordji, the "interpreter" of the Iranian Embassy in Paris—an altogether bigger fish than the sock-stealing Iranian consul in Manchester whose arrest triggered the Iranian-British crisis. It is becoming clearer than ever that terrorism in Europe, like hostage-taking in Lebanon, is a weapon of the Iranian state. So long as that remains the case those in Iran who wish to develop "normal" relations with Western countries are inevitably going to find it difficult.

Stop the revolution, I've a bus to catch

By Ivo Dawnay in Rio de Janeiro

THE DRIVE from the southern neighbourhood of Leblon to Rio de Janeiro's zappy, streetwise commercial centre must be the most achingly beautiful, 12-kilometre commuter run in the world.

Starting from the ocean-fronted suburb—a tropical Chelsea with all the palm-treed exoticism that California somehow never quite delivers—one swings in a series of golden arcs, past air estate agents' paradise of $1m apartment blocks, humming with uniformed maids and obsequious porters.

From the outset, the executive limousines are reassuringly reminded that the Rio law know's who is boss. Between 7 am and 10 am at almost every junction, policemen usher the corporate traffic through red lights and up one-way strees to speed a six-lane tide of privilege towards their repro partners' desks.

After shimmering, jogger-clogged Copacabana comes Botafogo Bay, a tight horseshoe under the Sugar Loaf, bobbing with tax-deducted yachts and blessed by the outspread arms of the towering Christ the Redeemer. Then, more quickly now, the traffic shoots past the peeling facades of Flamengo as —Nelson Piquets and Avrton Sennas all—we jockey for lanes and exits to the Centro.

Last week, this visual treat was momentarily disturbed by a corpse on the manicured central reservation. It was being rudely prodded by a cop. Door to door, nevertheless, the journey was less than 20 minutes.

Luiz Roberto, 21 years worth of sullen, stone - kicking obedience, has to get up earlier.

Some of his neighbours in the Nova Hollanda favella—a 15-year-old shanty town that jostles for air between chemicals warehouses and the frothing industrial flotsam of Guanabara Bay —are local factory workers. But perhaps the bulk are part of the army of service workers, who run lifts and messages, stand proxy in the eternal bank queues or become aids and porters in the Zona Sul.

Luiz, an office messenger, picks his way through the mud and breeze-block houses, past the stalled drainage works and on to the 10-lane Rio-Sao Paulo highway—the notorious Avenida Brasil.

Then comes the choice of how to cross, either by an excursion to the nearest pedestrian overpass, or by the adrenalin route, hopping over the concrete lane dividers to join the bus queue —as orderly as a football crowd and thick with elbows, like violinists on amphetamines.

By the time the bus arrives, belching black exhaust into the heat, the ensuing scramble suggests more a panicked refugee exodus than a prosaic daily grind.

Such commuter contrast, of course, are the red meat of life in the Third World—indeed, less colourful examples can be witnessed in rush-hours from Holborn to Hoboken.

But what, to the newcomer, makes Rio different is the stark juxtaposition of the two standards of living, the quality that economist Edmar Bacher immortalised as "Belgindia." Brazil's Belgium half living alongside its Indian one.

Apart, perhaps, from Johannesburg, no city better illustrates the syndrome than Rio, where favellas on steep hillsides stare down on a Disneyland of luxury. And even inside the corrogated iron shacks, television insistently promotes the wisdom of health insurance schemes, the convenience of air-taxi services and the bargains to be had at bloodstock sales.

If the two Brazils meet anywhere it is in Avenida Rio Branco, the banking heartland of the Centro, built as the southern hemisphere's Champs Elysee but today acting as a front line between the city's poverty-stricken north and its increasingly nervous south.

Just a fortnight ago, the avenue exploded when a mob of city workers burnt and stoned buses and clashed with police in a five-hour protest at a 50 per cent rise in fares. To many from Nova Hollanda favella, the rise had meant that as much as a third of the $45 (£28) minimum monthly salary would be eaten up in transport costs.

Understandably, the riot was roundly condemned. Politicians all but unanimously agreed that such anti-democratic activity was a threat to the nation. Less understandable was the flabbergasted response of the judge who authorised the fares rise.

"I never dreamt this would be the reaction," he protested.

But the damage had been done, leaving rougher elements in the north zone jubilant and the softer south even more nervous than before. "Everybody is stunned," a well-paid secretary said. "Things like this don't happen in Rio."

Happen, nonetheless, they did. And while foreigners asked why such events were not more frequent, many residents, for the first time, began to question their reading of less salubrious society.

"I can't understand it," said an angry hostess. "I know what people are thinking—I talk to my maid."

So is the newly elected Congress a modern-day replica of Louis XVI's Estates General—a service station on the motorway to revolution? Apparently not.

Most commentators attribute the violence not to subversive politics but to simple disillusionment. Last year's wage-increasing, price-freezing Cruzado Plan had, for a tantalising few months, handed out real rises in everyone's living standards. Today—just 12 months later—the purchasing power of the minimum wage is, according to one analysis, at a 30-year low.

It is plain too that constitution-writing Congress, now immersed in 501 articles and 5,000 amendments, has lost its glamour. To most people, long-awaited democracy is proving a tin god, with the politicians serving as its discredited priests.

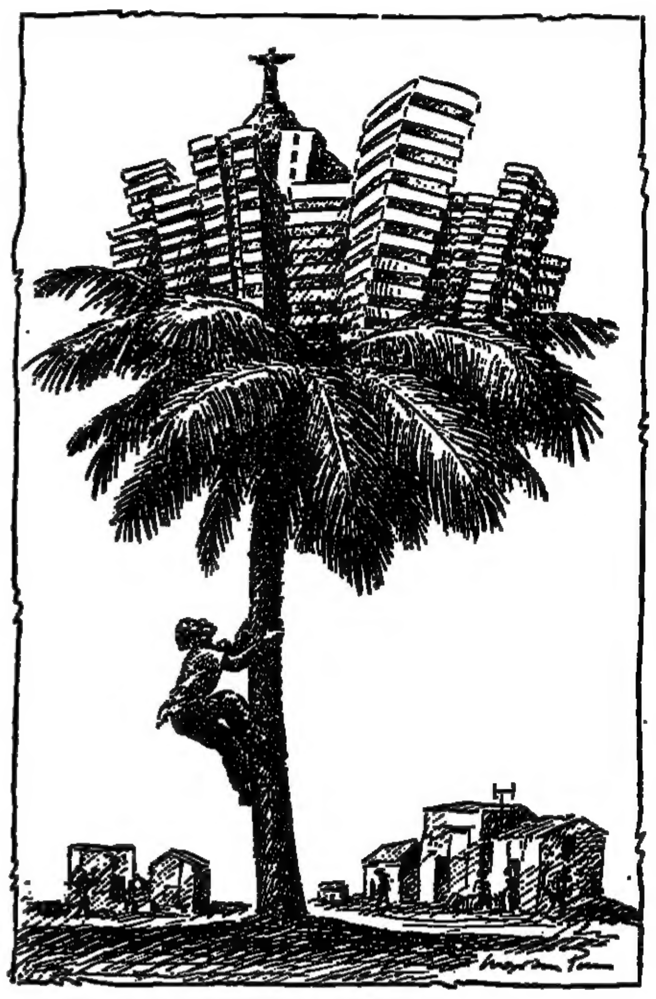
So imminent revolution — despite the claims, made by several politicians, of a conspiracy behind the riot — does not appear to be on the agenda.

In spite of Brazil's dazzling social inequalities, the country's most extraordinary characteristic is its disdain for collective solutions and its faith in individual self-determination. This is a quality that sets the nation apart from its more gloomy, fatalistic Hispanic neighbours — more demanding of and perhaps more disappointed in their respective governments.

Rather like the pioneer Americans of the last century, Brazilians pursue happiness, wealth or a place in the sun in an intensely private personal struggle, conducted against the odds. Perhaps in a more Latin tradition, however, most of them — even many of the most downtrodden — appear less interested in improving the system than in being on the winning side of it, and thereby reaping its myriad privileges and immunities.

A few days after the riot, heading back to the car park with Luiz loping alongside, I ironically pointed out a printed sign on a nearby grating. "*A Inveja e a Arma dos Incompetentes,*" it read. "Envy is the weapon of the incompetent."

Unprovoked, he merely shrugged. He had a typing course to go to — and another bus to catch.



Letters to the Editor

Burton's will not suit all

From Mr L. Brennan

Sir,—Senior executive option holders will be keen to study the implications of the revised guidelines for share incentive schemes issued by the Association of British Insurers (ABI). The new guidelines appear, somewhat after the event, to establish the Burton Group's approach to such incentives as the norm for the ABI.

The controversy over the Burton approach centred on its individual limit on options of eight times salary. Burton met criticism with the answer that no options could be exercised unless Burton's earnings per share rise in real terms (ie by more than the retail prices index (RPI). Additionally, the second half of the options could be exercised only if the earnings per share rise enough to keep Burton in the upper quartile of growth companies.

The ABI is now seeking to extend this approach to all companies. But it is questionable *whether this particular* approach, or indeed any single one, will suit all companies—for example manufacturing companies shedding labour and financial services companies desperate to retain talented labour. While few would begrudge special rewards to the high performing companies, it seems harsh on the majority to allow the top quarter of companies to obtain twice as many share options, on shares probably growing twice as fast, as the other three-quarters get on shares that are probably performing well if not outstandingly so.

To deny any share option gain to a company whose earnings per share have not outstripped the RPI, seems a narrow view. Share price itself takes account of the growth in earnings per share, as well as the market's view of all the other aspects of the company's performance. If the market should award shareholders a higher price despite poor growth in earnings per share, why should not option holders enjoy that gain?

The revised guidelines are interesting for what they do not say. They do not address the often artificial distinction between equity and cash rewards (indeed the abuse of shareholder dilution to pay the income tax on taxable share options demands that executives be required to take cash in some cases). They do not address the increasing use of existing shares instead of new issue. They do not address positively the use of subsidiary shares in substitution for some of the holding company's shares reserved for share option schemes.

Experience since 1984 has shown that blanket guidelines cannot cope with the range of commercial needs *of all* companies. To select one new approach, very appropriate as it is for *one* of Britain's best companies, and impose it on all others is a recipe for yet further pressure on the ABI's role in monitoring the development of share schemes. I wait with interest to see how the other great institutional body, the National Association of Pension Funds, responds to the ABI initiative.

Laurie Brennan,
Chief Executive,
New Bridge Street Consultants Ltd,
30-34, New Bridge Street EC4.

Russians, not parliamentarians

From Ms N. Beloff

Sir,—The interesting Reuters dispatch on Stalinism, which you publish today, contains a misleading noun. Soviet notabilities are not 'parliamentarians' but members of the Supreme Soviet, correctly described by the historian Hugh Thomas as "an honorary panel of, by Russian standards, distinguished people, who meet at rare intervals in order to register unanimous approval of programmes put forward by the Soviet Communist Party."

As a former Reuters correspondent, I fully sympathise with slips by a reporter working against time. But this particular error needs to be corrected, for fear of encouraging the now fashionable view that Gorbachev's USSR is not essentially different from our own democratic society. Parliamentarians the Russians are not.

Nora Beloff.
11 Belsize Road,
London NW6 4RX.

The need to plan overseas aid

From Mr G. Clark

Sir,—As co-author of a memorandum on the Aid and Trade Provision (ATP), submitted (with Professor John Toye) to the Foreign Affairs Committee investigation of UK aid, I read with concern the reported remarks of Alan Clark (no relation!), the Trade Minister, on this subject (July 15).

I feel it would be of great benefit to the minister if he read the Overseas Development Agency's devaluation report on six case studies of ATP projects between 1978 and 1981 (available from the ODA), which show that the pursuance of short-sighted commercial objectives using ATP funds has not, in many cases, had the desired positive impact on UK export opportunities, precisely because the projects were not looked at in the usual detail by ODA officials accorded to regular aid projects. In one such case, a British company supplied 50 buses to Zambia, and within four years only four remained operational.' This does no good for the reputation of UK goods in that market or, indeed, for the reputation of UK aid.

Simply securing contracts for British industry is *not* the primary purpose of UK overseas aid—it is to promote the development of Third World countries—and projects which are not successful in the Third World, because either unsuitable goods are suplied (as in the case of the buses) or external factors, such as the lack of foreign exchange, inhibit the ability of the purchaser to maintain the equipment, reduce any long term commercial benefits that such projects will realise for British industry. It is in the interests of all that UK aid-funded projects, including those in the ATP scheme, are successful, and that does require some effective planning from the UK end.

Graham Clark,
Centre for Development Studies,
University College of Swansea,
Singleton Park, Swansea.

When Ulster says 'Yes'

From Mr J. E. Birnie

Sir, — In his article, Ulster Stops Saying No (July 10), it is curious that Mr Rutherford should make no mention of the policy to which a majority of both Northern Irish protestants and Roman Catholics have been saying yes to for some time.

Recent opinion polls suggest at least 60 per cent of both communities would prefer to be fully integrated into the United Kingdom.

At present all the citizens of this part of the United Kingdom are excluded from joining either the Conservative or Labour parties. Since these supposedly "national" parties refuse to contest parliamentary seats within Northern Ireland this means that the people of Northern Ireland have no say in choosing which party will govern them.

Present proposals to set up a devolved government in Northern Ireland would fail to tackle the fundamental problem. Northern Ireland is excluded from the normal politics of the state of which she is part. Because of this undemocratic exclusion from the left-centre-right politics, which are the norm for Western democracies, sectarian parties will continue to exist.

E. Birnie,
9 Lancefield Road,
Belfast BT9 6LL.

Flight from reality

From Mr J. P. Murphy

Sir,—Anthony Harris says in his article (July 11): "The Bank of England and the US Fed are working on agreed rules for bank capital adequacy; and if these two agree, then the rest of the world wil probably fall into step."

It is sufficient for me to point out that of the 14 largest banks in the world, 10 are owned by the Japanese. The present flight is not from gold but from reality.

John Patrick Murphy,
116 Falmouth House, SE11.

Counter revolution

From Mr C. B. Nichols,

Sir, — If the Treasury is so concerned about the bulk and weight of our coinage, as reported by your economics correspondent (July 16) would it be too revolutionary to suggest that it replace two of the biggest and heaviest, the £1 and 50p coins, by banknotes?

C. B. Nichols,
The Hollies, Hight Street,
Curry Rivel, Langport,
Somerset.

The challenge of satisfying both creditors and debtors

From Mr A. H. Hamilton

Sir,—As one who has spent much of the last ten years dealing with less developed country debt in the Paris Club, several aspects of the current discussion of the problem seem to have been inadequately addressed.

Rescheduling, like any other transaction, requires satisfaction of both debtor and creditor if a workable deal is to be struck. Because debtors feel victimised, they have often agreed to restructuring which they knew at the outset could not succeed. What formulae can be applied, recognising lenders' legitimate concerns, as well as the realities of debtors' situations?

In many countries lenders, be they governments or commercial banks, cannot forgive debts. In the US when banks fail to receive interest payments, provision must be made by reserving out of capital the amount of debt. When LDCs don't pay and don't reschedule, this can lead to a decapitalisation of the banking system, with predictable consequences. The US government cannot forgive debt, which is why it continues to carry on its books debts arising from the 1914-18 war.

At the same time, many debtors' governments simply cannot pay what they owe. The challenge then is to strike a deal which satisfies both creditors and debtors. Creating a new organisation to buy dishonoured paper will not result in debt service, although the original lender may be paid in full. Such a mechanism merely shifts the burden, usually to taxpayers in the industrial countries. When Mr Wriston stated that sovereign risk is no risk, it was clear he held few Tsarist bonds.

Since the creation of the Paris Club in 1956, the process of debt relief has been vastly improved. Today, however, the IMF upper credit tranche arrangement running out to two years, even when coupled with structural Adjustment Facilities and Loans, cannot provide the debtors with adequate debt relief.

Perhaps a workable deal could be struck by debtors agreeing to IBRD/IMF supervised external debt management programmes, coupled with help in setting up sound export finance and promotion systems designed to enable the LDCs to earn the foreign exchange necessary to service their debts.

From the creditors, a rescheduling programme negotiated case by case, which would take the whole stock of debt of a given debtor and make it payable over 20 years, following a 10-year grace period during which one half of the interest due would be paid, the other half being capitalised, would provide debtors with enough time to restructure their economies to raise living standards and service their debt.

Such a programme, tailored to each debtor's circumstances, could do much to encourage voluntary lending to Peru, Zambia, and many other heavily indebted LDCs. It might also stimulate the demand which drives export credit agencies. In most OECD countries ECAs have resources to lend, but no applications for loans.

Of course, lenders must take some responsibility for their bad loans, and for banks the burden will fall ultimately on the shareholders. However, I believe the foregoing proposal could be acceptable to debtor and creditor governments, and the banks would not have to reserve so much of their capital for possible loan losses.

Albert H. Hamilton,
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UK COMPANY NEWS

Nick Bunker and Hugo Dixon on the TSB's bold bid

Hogg Robinson's cloudy horizon

THROUGH ALL the ifs and buts of yesterday's hostile bid by *TSB Group for Hogg Robinson* —only the third such move on a Lloyds insurance broker since 1978—three questions shone out.

Would Hogg fight? It will—but it has only nine days to do so, or to find a white knight, before the special shareholders' meeting on July 27 to vote on Hogg's own alternative scheme to demerge into two distinct quoted companies.

Second—if TSB were successful—can it avoid extinguishing the entrepreneurial zeal with which Hogg's travel and estate agency side has been built since 1983? It was already indicating yesterday that it and Dewey Warren will each bring "appropriate incentive packages" for Hogg Robinson executives.

Third—and most intriguing, perhaps, to observers in the London insurance market and to Morgan Grenfell—is the issue of Mr Robert Holmes à Court's further ambitions via Dewey Warren, of which he holds 42 per cent. A very small, US-oriented reinsurance broker which held unproductive merger talks in 1986 with C. E. Heath, Dewey Warren will thrust itself up into the second division of Lloyd's brokers if it captures Hogg's mainly retail insurance broking arm.

At the eye of the storm is Mr Brian Perry, of Hogg Robinson, to whom the planned split into two companies was *especially dear. He was designated* to lead the new, demerged Hogg Robinson travel, transport and financial services company.

One explicit aim of the demerger was to give him his entrepreneurial freedom, to be helped by a £34m share issue.

Mr Perry has run Hogg Robinson Travel since 1972. A marketing man—he prides himself, for instance, on the design of Hogg's travel agency branches—he has been privately hostile to the notion of a swift submergence of his company into a more ponderous group like TSB.

Mr Perry ran one-half of the strategy with which Hogg has transformed its fortunes since 1983, with earnings per share up 20 per cent on average each year. Mr Perry was part of a four-man management team with Mr Albert Wheway, chairman, Mr Christopher Price, head of the Lloyd's broking *side, and Mr Andrew Alers*-Hankey, finance director.

Mr Perry's first thrust was to expand the travel agency side —where Hogg, with 297 outlets, is in the same league as Thomas Cook. Hogg is also a leader in the British business travel market. Mr Perry's second thrust began last September. Since then, Hogg has created by acquisition a chain of 77 estate agencies in south-eastern England and the west Midlands. Ironically, the fruits of his work are what has enticed the TSB.

TSB wants to use the travel agents to sell financial services, in particular travel insurance. It also hopes there will be some synergy with Swan National, its car rental operation which already runs package holidays.

Similar cross-selling opportunities are seen for Hogg's estate agencies. TSB already has almost 20 offices in Scotland and wants to build up a larger network through which to sell home loans and other products.

Hogg's small pensions and financial planning side also fits in with group strategy. However, the transport forwarding business, best known for handling the Government's baggage, does not have an obvious place.

TSB intends to persuade Hogg's current management to stay on to manage the business, which would be kept together as a separate division within the TSB Group. The plan then is to pump in more cash to expand it.

In insurance broking — the target for Dewey Warren — Hogg was conscious of the now conventional view that escalating costs and competitive pres*sures in international broking* make size essential.

After aborting merger talks with C. E. Heath, the Lloyd's broker, in May 1985, Hogg had seen growth by acquisition in the US as one way forward.

Superficially, a merger of Hogg Robinson and Gardner Mountain, Hogg's broking side, with Dewey Warren has the same industrial logic as Hogg's own abortive merger talks last month with Fenchurch, the Lloyd's broking subsidiary of Guinness Peat. That appealed to Hogg because Fenchurch is strong in the high margin business of London market reinsurance, while Hogg Robinson is more a retail broker with a big low-margin UK branch network.

In fact, Fenchurch and Dewey Warren are very different creatures.

Dewey Warren's recent trading record has been poor—its brokerage fell 24 per cent to a mere £2.65m in 1986. Also, unsought offers for Lloyd's brokers are rare. In a "people business," a hostile bid is likely to lead to mass defections of key broking executives.

Yet if Dewey Warren can avoid that, it would also bring to Hogg Robinson and Gardner Mountain Mr Holmes à Court's undoubted fund-raising powers —at a time when international insurance brokers are under pressure. The most mysterious part of the whole story is the Morgan Grenfell, Dewey Warren, Kuwait Investment Office axis.

Earlier this week, KIO, the investment arm of the Kuwait Government and one of the City's most secrative institutions, agreed to sell Dewey its 4.5 per cent stake in Morgan for £33.5m. The ownership of these shares had previously been obscured because they were registered under the name of a controversial Bank of England nominee account, not KIO.

At around the same time as it agreed to sell its Morgan stake, KIO increased its shareholding in Hogg from 7 per cent to just over 9 per cent. KIO refused to say whether these two operations were linked and what its strategy was.

But a source close to KIO said it would almost certainly swing its 9 per cent stake behind TSB unless there was a better offer. The source also said that he thought that KIO had agreed to sell its stake in Morgan Grenfell in return for shares in Dewey rather than cash.

What is unclear, though, is whether Dewey will try to increase its stake in Morgan any further. If it does, Morgan will almost certainly resist it. In the past, it has made clear its determination to remain independent.

Robert Holmes à Court (left) and Albert Wheway, chairman *of Hogg Robinson*

Big Marler stake moves in £21m cash deal

By Terry Povey

Mr Terry Ramsden's unquoted investment company Glen International has sold its entire 29.8 per cent holding in Marler Estates to Mr *David Thompson, one of the* wealthiest persons in Britain and *formerly* joint-chairman *of Hillsdown Holdings.*

Also yesterday Mr Ramsden notified Bestwood that he had sold his 14.8 per cent personal holding in the financial services and property company.

The 2.23m Marler shares changed *hands* at £9.50 and Glen has realised a profit of around £8m on its £13m investment in the controversial property company, which has plans to develop Chelsea, Fulham and Queens Park Rangers' football grounds for luxury apartments.

The Bestwood transaction may not have been so profitable. The stake was originally purchased by Glen at around £2 a share two years ago, but was sold on to Mr Ramsden personally for an unknown amount last year. Bestwood's shares are currently trading at 162p, rising 17p yesterday on news of the disposal.

The Marler deal is not the first involving Mr Ramsden and Mr Thompson. In early 1986, Glen and Hillsdown fought a pitched battle for control of Pike Holding, a catering butcher company.

The financier built up a 28.5 per cent holding in Pike only to be trumped by the aggressive Hillsdown — the food conglomerate founded by Mr Thompson and Mr Harry Solomon.

Mr Thompson has a 44 per cent holding in Glentree, the estate agents, and market speculation of a realignment of property interests through either this company or Hillsdown's own property arm, Rugby Securities, drove Marler Estates' shares up 200p to close at £12.75p last night.

Revitalised Blacks swoops in £60m double purchase

BY NIKKI TAIT

Blacks Leisure, the camping and leisurewear group saved from receivership by a £1m consortium package last October, yesterday continued its remarkable revival by announcing an agreed £45m cash-or-shares offer for Miss Sam, the women's and children's fashion company, and a £15.2m cash-and-shares *deal for private* textile converters and merchants, S Eker.

Mr Bernard Garbacz, chairman of Blacks and currently in New York, said yesterday that Miss Sam would complement the recently-acquired Gee-Rosen Organisation, which designs fashionable menswear. It currently suplies high street outlets such as Selfridges, Chelsea Girl, and Burton as well as mail order companies. S. Eker has small trading relationships with both businesses.

Miss Sam was founded by Stephen Morris in 1976, and has been audited by Landau Morley —the accountants where Mr Barbacz is a senior partner—since then. It came to the stockmarket eight months ago via a 105p-a-share placing. Pre-tax profits in the year to end-September were £2.4m on sales of £11.8m; in the first half this time, there was a 16 per cent rise to £1.27m. Net assets are about £4m and Miss Sam has some £5m cash.

Blacks is offering six of its own shares for every one Miss Sam—worth 282p with Blacks steady at 47p yesterday—with underwritten cash alternative of 180p. Among the sub-underwriters are Heron, Mr Gerald Ronson's property group, and Mr Garbacz himself. Blacks has already bought a 10 per cent stake in Miss Sam from Mr Morris at 180p; directors have elected to take cash in respect of half their 60 per cent holdings, and Blacks shares for the rest.

S. Eker, which also has a small property division, made £1.1m on sales of £11.1m in 1986, and has warranted not less than £1.5m this time. Blacks is paying a basic £15.2m — £7.5m cash and the rest shares — with additional payments if the 1987 forecast is beaten and more than £1.65m is made in 1988. Net assets are £4.5m, with £2m cash.

Pension side grows at the Pru

BY ERIC SHORT

Prudential Corporation, *Britain's largest life assurance* group, has reported a successful first six months trading in UK ordinary life and pension business. However, UK industrial life business remained static and its overseas business showed a mixed pattern.

The ordinary UK life and individual pensions annual premium business of Prudential Assurance showed a 17.5 per cent increase from £48.9m to £57.5m, with individual pensions for the self-employed up by a quarter and low cost endowments used to repay house mortgages up by a third.

This latter increase was achieved with very little contribution from the estate agency arm which only generally switched to marketing Pru's *low cost endowment in* May.

The Pru receives almost all its individual business through its direct selling force. Hence, unlike other proprietary life companies it has not been affected by independent intermediaries channelling their business through the major mutual life companies ahead of the financial services legislation.

The continued growth in individual pensions business, claims Mr Brian Corby, chief executive, demonstrates that the Pru is ideally placed to take advantage of the introduction of personal pensions.

Strong growth in individual pensions was responsible for the buoyant sales figures of the unit-linked subsidiary Vanbrugh, with *annual premiums* doubling to £3.9m and single premiums up by a fifth to £61.1m.

Vanbrugh saw some growth in linked life bond sales. But the main lump sum business growth is coming from the Pru's unit trusts sales which almost doubled on last year's figure to £236.6m.

The Pru also saw strong growth in its group pension business with annual premiums up by half to £7.4m and single premiums up by a fifth to £60.8m.

Overseas, the recently-acquired US-based Jackson National Life saw a slight decline in annual premiums to £19.9m, more than offset by a near doubling of single premiums to £287.2m.

Close Brothers £24m rights

BY STEVEN BUTLER

Close Brothers, the merchant banking group, is raising £24m through a rights issue and a placing of shares with Caledonia Investment, the investment arm of the Cayzer family which recently agreed to dispose of the majority of its stake in British and Commonwealth for £327.5m.

The deal will lift Caledonia's stake in Close Brothers from 11.3 per cent to 22.3 per cent.

The rights issue involves 6.47m new ordinary shares to be offered to shareholders on a one-for-four basis at 205p each. Major shareholders representing 39.7 per cent of the company have agreed to take up their entitlements.

An additional 4.5m shares are to be issued to Caledonia at 250p each. Close Brothers shares yesterday closed up 10p at 290p.

The Close Brothers board said it welcomed the shareholding by Caledonia, which is not seeking board representation and says *it has no intention* to raise its stake soon without the consent of the Close Brothers board. Funds will be used for continued expansion of the group, including acquisitions.

Close Brothers also announced arrangements for a £20m property investment syndicate on behalf of Berkley House, for which Close Brothers is providing £2m of its own funds, while Caledonia Investments is providing £5.5m.

Firth maintains growth in second half

CONTINUED GROWTH in the second half has left G. M. Firth (Holdings) with pre-tax profits 25 per cent ahead at £3.11m for the year to March 31 against £2.48m previously.

Turnover for the group, which is a steel stockist and merchant and property developer, rose by 23 per cent to £61.61m (£50.05m). Second-half sales and profits were £33.65m and £1.66m respectively.

The directors are recommending an increased final dividend of 1p (0.55p), raising the total by 50 per cent to 1.5p (1p). Earnings per 10p share moved ahead from 4.36p to 5.68p.

Mr I. H. Wasserman, the chairman, said the company had large cash and liquid resources for expansion and he was confident of another substantial increase in profitability and a major growth in earnings in the current year.

Profits on steel stockholding and machinery were somewhat lower than last year, he said. It was the first full trading year of the Charles Wade division and that was not satisfactory, he added. Changes had been made at senior management level in January and since there had been a marked improvement in profitability there.

Porter Chadburn, an associate company which manufactures food and drink and general engineering equipment, achieved pre-tax profits of £352,000 (£506,000) in the year to March 31, on turnover ahead from £19.4m to £21.51m.

A lower final dividend of 1p (1.3p) is being recommended which maintains the total at 2p. Earnings fell to 1.52p (3.96p).

Earlier this month a new management team was appointed after buying, together with Charterhouse Bank, a 25 per cent stake from Firth thus reducing Firth's holding to 39.69 per cent.

● comment

G. M. Firth's figures give little away and a nonplussed market reacted indifferently. However, Ian Wasserman will apparently only begin to reveal the jewels beneath this steel stockholder's floorboards when shareholders receive the circular detailing the background to the disposal of 25 per cent of Porter Chadburn (until July the holding was 65 per cent). *Analysts believe* that a careful reading of the pro-forma balance sheet included in the circular will reveal cash plus investments in quoted stocks worth enough to triple the net asset value of Firth—up to around £18m. Add to this the prospect of a two-thirds rise in pre-tax profits to £5m and an almost doubling of earnings per share, then the current rating of the stock (13 times forecast earnings at 131p) seems out of kilter for a basic industrial company that has more than recovered and is committed to not issuing any more shares.

Saatchi sells stake in WPP for £8m

By Clay Harris and Nikki Tait

Saatchi & Saatchi, advertising and business services company, yesterday sold all its shares in WPP Group, marketing services concern which recently clinched the £351m takeover of JWT Group, US parent of the J. Walter Thompson advertising agency.

The disposal will avoid any clash of interests between Saatchi and JWT, although Saatchi said that the move was purely an investment decision. The sale will raise about £7.9m, before costs.

Saatchi's 840,500 shares, accounting for nearly 7 per cent of WPP before last month's two-for-one rights issue, were placed with UK institutions and a few European clients by Panmure Gordon, WPP's stockbroker. It secured the holding in a bought deal which priced the shares at 890p and the 1.68m nil-paid rights at 25p.

WPP shares, trading ex-rights, lost 10p yesterday to close at 890p. Nil-paid rights, which started trading on Thursday, lost 10p to close at 20p. The rights issue was priced at 875p.

The sale is likely to have pleased WPP, which wanted to emphasise its independence *from Saatchi. WPP has insisted* that it will keep JWT intact, despite speculation that it might sell Hill & Knowlton, the public relations subsidiary, with Saatchi a possible buyer.

Saatchi paid £1.13m for its initial 550,000 shares late in 1985, seven months after Mr Martin Sorrell, WPP chief executive, bought into the company. *At the time, Mr Sorrell* was also Saatchi finance director.

£46m value on Debenham Tewson

By Richard Tomkins

Debenham Tewson & Chinnocks, the commercial chartered surveyor seeking a stock market quotation, yesterday put a price on its offer for sale.

Kleinwort Benson, the company's merchant bank adviser, is to offer 6.8m shares, representing 25 per cent of the total equity, at 170p each. Broker to the issue is Cazenove and the prospectus will be published on Monday.

The issue price is 22 times earnings per share for the year ended April 1987 and puts a value on the company of £46.1m. After £1.1m expenses the issue will produce £2.8m for the company and £7.6m for the 37 vendors.

Debenhams is an old-established company which offers advice on commercial property, development land, and central London residential property. Its client list includes property investors, occupies and developers.

Burnett & Hallamshire Holdings, the troubled mining and property group, said yesterday that there was no foundation to reports that it had sold its interests in any subsidiaries or related companies. The shares *lost 1¾p to 33¾p after Burnett* said that it knew no reason for recent price fluctuations.

Neilson Leisure for Third Market

BY PHILIP COGGAN

Neilson Leisure, a tour operator, is joining the Third Market via an offer for subscription. Like Unit Group, which was one of the earliest market entrants, shares are likely to qualify for tax relief under the terms of the Business Expansion Scheme.

The company offers summer and winter coach holidays via two brandnames—Neilson and NAT. The latter was founded by Mr Warren Sandral, an Australian, as Nord Afrik Travel in 1971 but its range was rapidly extended to cover European holidays. In April 1986, the group acquired the Neilson holiday programmes from Nationwide Leisure for £600,000 and changed to its current name.

The Neilson programmes recorded a loss of £816,000 in the six months for which they were included last year and are expected to make a further substantial loss this year. The company is discontinuing the Villaseekers and Lakes and Mountains programmes and hopes the Neilson side will improve its performance next year.

Overall, the group's best trading year was 1983 when it made pre-tax profits of £785,000 and since then its results have been a loss of £1.13m, a profit of £461,000 and a further loss of £199,000 last year. For the current year ending October 31, it is forecasting a pre-tax profit of £350,000.

Guidehouse Securities is offering up to 1.85m shares at 102p each, 35.7 per cent of the equity, giving the group a market capitalisation of £5.6m. All the shares on sales are new and the proceeds of about £1.64m will be used for working capital. The fully-taxed prospective p/e is 17 at the placing price, although the company has tax losses of about £250,000.

Mr Sandral and another director, Mr Michael Barden, were prosecuted in 1976 in connection with the falsification and wrongful issuance of student identity cards and were each fined £700.

BAA ballot may be avoided

By Richard Tomkins

THE Government may yet avoid a ballot among applicants for shares in BAA, formerly the British Airports Authority, by giving small applicants 100 shares each and larger investors none at all.

The counting of the applications was still going on yesterday and the allocation will not be announced until later this morning. However, the number of applications in the fixed price offer seems likely to total about 2.3m. With 230m shares available to the general public, there may be sufficient to give applicants 100 each.

They grey (unofficial) market price being quoted by licensed dealer Cleveland *Securities yesterday* was 142p bid, 147p offered for the 160p partly-paid shares.

Benchmark raising £7m

By Janice Warman

Benchmark Group, financial services company, is to raise about £7m in a two-for-five rights issue and to acquire a 40 per cent interest in Peter Methley Holdings Ltd, an insurance broking business formed to acquire the Symons Group of companies.

The consideration of £6.3m in cash for the reinsurance, wholesale and direct insurance company will be funded by a £2.3m unsecured subordinated loan from Benchmark and by bank loans.

Electra Investment Trust has the agreement of the board and major shareholders including the Hong Leong Group of Companies to take its investment in the group to 4.18 per cent of the enlarged share capital, and plans to purchase any new shares not taken up

Benchmark, whose interim profits fell from £676,000 to £280,000, estimates pre-tax profits for the year to June 30 of not less than £1.25m, and expects to recommend a final dividend of 0.875p.

It is to pay £4,000 in cash for a 40 per cent interest in Peter Methley.

Carclo bids for Deritend

BY DAVID WALLER

Carclo Engineering, the Yorkshire-based mini-conglomerate, last night announced a £25.25m offer for Deritend Stamping, the manufacturer of castings and forgings in which Carclo holds an 11.2 per cent stake.

The offer of four new Carclo ordinary shares for every seven Deritend shares values Deritend at 479p per share, against 443p at yesterday's close of business. The announcement of the bid came after the market closed.

"Carclo has recently announced an excellent set of results," said Mr John Ewart, Carclo chairman, "whereas Deritend has a rather dull record. We believe that a merger would be advantageous to both companies."

"The price we are offering represents a 70 per cent premium to the Deritend share price as recently as the end of May."

No one at Deritend was available for comment last night.

Earlier this month, Carclo announced pre-tax profits for 1986-87 of £5.08m, against £3.85m in the previous year. In May, Deritend announced pre-tax profits up 4 per cent to £2.21m for the year to February 28.

Lynx placing on Third Market

BY PHILIP COGGAN

Lynx Technology is coming to the Third Market via a placing which values the group at £2.39m. A little more than 3.67m shares, 29 per cent of the enlarged equity, are being placed by Hichens, Harrison at 65p each.

Lynx has specialised in providing electronic equipment for the monitoring of television audience figures and its trading record in the past few years has been uninspiring. In the year to March 31 1987 its pre-tax loss was £138,000.

However, new management was appointed in 1986 and there was a significant increase in demand. The company is forecasting a move into the black with profits of not less than £400,000 this year. It also has high hopes for a new product, Innsafe, which provides safes in hotel rooms, which can be monitored for security purposes by the hotel's computer.

COMPANY NEWS IN BRIEF

THORPAC Group: Turnover £4.56m (£4.65m) for year ended March 31, 1987. Profit £412,000 (£231,000) before tax but after exceptional debit £40,000 (nil). Earnings 3.2p (2.1p) and final dividend 0.833p to make 1.17p (0.83p) adjusting for scrip and sub-division. Reduction in turnover result of sharply lower exports to Australia because of currency weakness. Considerable optimism for current year.

GREENFRIAR INVESTMENT increased earnings from 0.93p to 1.03p in half year ended June 30 1987. Pre-tax revenue £134,000 (£112,00). Net asset value 574.9p (416.7p) per share and 501.3p (367.1p) assuming full conversion of warrant. Net value per warrant 389.3p (255.1p).

INDEPENDENT Investment (investment trust): Net asset value per 25p ordinary share 315.5p (300.8p) at year end on June 30 1987. Total dividend 2.5p (1.75p).

APPLIED Holographics (USM-quoted manufacturer of holographic products): No dividend in the year to March 31 1987. Turnover £1.3m (£484,011) and pre-tax loss £822,599 (£669,836 loss). Tax £7,500 (nil) and loss per share 7.7p (7.2p).

BRISTOL CHANNEL Ship Repairers (subsidiary of C. H. Bailey) reports turnover £1.67m (£3.06m) in year ended March 27 1987 and loss of £375,000 (£358,000). Directors said a break-even position could arise in the first half of current year. Some sign of improvement in ship repair market and pruning action taken should minimise future losses.

JERMYN INVESTMENT is raising its dividend from 2p to 2.5p net for 1986 from earnings of 16.18p (11.23p previous 11 months). Profit £231,729 (£125,611) before tax £69,910 (£13,274). Directors encouraged by activity in current year to date.

DIVIDENDS ANNOUNCED

Atlantic Assets	1	Sept 21	1.1††	1	1.1††
Biotechnology Inv	1**	—	1*	1	1*
G. M. Firth	1	Oct 2	0.55	1.5	1
Independent Inv	2.5	—	1.75††	2.5	1.75††
Jacksons Bourne	4	—	4	6	6
Jermyn Inv	2.5	—	2	2.5	2
Jersey Electricity ...int	7‖	Aug 21	5	—	20
Park Food	3.25	Sept 16	2.8	4.8	4.2
Porter Chadburn	1	Oct 2	1.3	2	2
Thorpac	0.83‡	—	1*	1.17*	0.83*
Victoria Carpet	2.75	Oct 2	2.5	2.75	2.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Gross. ** US cents throughout. †† Includes special payment. ‡‡ Included special 0.5p.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§110	F.P.	14/8	157	111	Babygro 10p	157	+1	R2.4	3.2	2.1	18.8
§77	F.P.	30/6	155	96	♦Bonded Laminates 10p	152	.....	L2.4	2.4	2.2	26.6
155	F.P.	7/8	195	158	Britannia Group (5p)	193	.....	R3.85	3.0	2.7	16.8
250	F.P.	31/7	372	250	Camden 5p	366	.....	L6.0	3.0	2.2	18.9
§120	F.P.	31/7	195	150	♦Colorvision 5p	183	-3	R2.2	2.7	1.6	30.5
‡‡	F.P.	—	200	166	Cresta Hldgs 10p	200	.....	—	—	—	8.2
§100	F.P.	—	121	116	♦Economic Forestry	121	.....	R3.0	2.5	3.4	16.1
§95	F.P.	—	168	113	Elys 5p	168	.....	L2.1	3.20	1.7	24.9
§80	F.P.	—	170	101	*Far East Res. 10p	170	.....	—	—	—	—
§178	F.P.	17/8	251	223	Glamar Group 10p	251	+8	u6.5	1.7	3.5	22.1
‡‡	F.P.	10/8	285	278	Grahams Rint'l Inv. Tst 5p	280	.....	—	—	—	—
§125	F.P.	13/8	225	184	Harbord Simms (10p)	225	+5	L1.9	4.1	1.1	28.1
§150	F.P.	31/7	190	150	♦Hay and Croft 10p	180	.....	R3.85	3.4	2.9	13.8
§105	F.P.	31/7	126	120	ITL Ind. Tech.10p	125	.....	R2.0	3.3	2.2	19.1
105	F.P.	5/8	215	105	♦Kaufer & Kooijmans 10p	160	-13	L1.17	4.60	1.0	29.8
§165	F.P.	14/8	231	165	Lancaster	231	.....	L2.75	3.5	1.6	23.8
§175	F.P.	22/7	210	190	♦Learmth & Burch 20p	206	.....	L1.3	5.8	0.8	30.4
§295	F.P.	—	346	338	Monarch Res. 10p	346	+5	—	—	—	—
§130	F.P.	15/7	216	163	Nestracker 5p	216	+1	R1.8	4.2	1.1	28.5
§110	F.P.	4/8	220	185	♦Parkway 5p	220	.....	R1.5	4.2	0.9	34.7
§200	F.P.	—	208	201	Primadona	208	.....	u2.25	5.1	1.5	18.0
§165	F.P.	31/7	265	183	♦Ross C'sms. Elec. 10p	245	.....	L3.5	2.6	1.9	26.5
§35	F.P.	—	47	35½	♦SEP Ind'l. Hldgs 5p	45	.....	—	—	—	21.0
‡‡	F.P.	—	£46¼	£37¾	St. Gobain FF100	£45¼	.....	Q8%	4.1	1.8	13.5
§100	F.P.	—	103	97	Saltire Insurance	98	.....	—	—	—	—
§63	F.P.	31/7	89	76	♦Shelton (Martin) 10p	87	-1	u1.75	2.3	2.7	21.7
§20	F.P.	17/7	58	31	♦Stanco Exhibition 5p	58	+1	0.29	4.0	0.7	49.2
145	F.P.	17/7	195	147	Tie Rack 5p	150	.....	R1.1	4.2	1.0	32.6
§125	F.P.	6/4	167	150	♦UCL Group 5p	161	.....	u2.5	2.8	2.1	22.7
—	F.P.	—	177	170	USDC Inv. Trust £1	173	.....	N1.3	—	1.0	—
§150	F.P.	—	193	175	Warner Howard 5p	192	.....	R2.46	2.70	1.9	25.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
‡	F.P.	24/7	114p	105p	Anglo Utd. Cov. Red. Prf.	114p	+5
100	F.P.	—	127p	109p	Asda Prop. 5¼% Cnv. Cum. Red Prf. 2012	126p	-1
‡	F.P.	24/7	143p	127p	Dewcora 6¼% Conv. Cum. Red. Pf.	143p	.....
‡	F.P.	7/8	126p	104p	Elliott (B) 7% Cnv.Cum.Red Prf.	126p	.....
§100	£10	10/9	9	7	Essex Water 9¾% Red. Deb. '97-99	9	.....
§	£50	11/9	50½	47¾	Govett Strategic Inv Tst 9¾% Deb 2017	49¾	-¼
‡‡	F.P.	10/8	37p	37p	Grahams Rintoul Inv. Tst. Pfd. 20p	37p	.....
§98.471	£30¼	—	30¾	30¼	Lynton Prop & Rev 10¼% 1st Mtg Deb 2017	30¾	+¼
‡	Nil	—	16pm	15pm	Mapinvest/Brent 6.625%CnvCumRedPrf2012	16pm	+1
§100	£10	10/9	7½	7	Mid Kent Water 9½% Red. Deb. '97-99	7½	+½
—	F.P.	—	100⅛	[illegible]	Nationwide B.S. [illegible]	100	.....
—	F.P.	—	99⅞	99⅞	Do. [illegible]% Bds. 11/7/88	99⅞	.....
—	£25	11/11	25½	20¼	North Housing Assoc. 8¾% Gtd. Ln.2037	20⅝	-⅝
—	F.P.	—	270p	258p	Do. Zero Corp. Ln. 2027	262p	-3
§95.221	£25	2/10	26	21⅞	Peachey Property 9½% 1st Mt.Deb.2015	22⅛	.....
‡‡	F.P.	—	145p	115p	South New Court Cnv Cum Red Prf 50p	145p	.....
§101.75	£10	—	10⅛	10	Sunderland & S Sh Wtr 7¼% Red Prf '97-99	10⅛	+⅛
—	F.P.	—	122p	119p	Unigroup 7½% Cum. Cnv. Red Prf.	122p	.....
—	£10	—	12½	11	Wrexham&E.Dpn.Wtr7¼%Red.Prf.96/98	12½	+1½

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
375	Nil	22/7	115pm	78pm	♦Anglia Secure Homes	113pm	.....
425	Nil	26/8	43pm	17pm	Argyll Group	34pm	-8
135	Nil	25/8	12pm	3pm	Australia Inv. Tst. 50p	3pm	.....
265	Nil	21/8	59pm	41pm	BPCC	54pm	-1
195	Nil	14/8	53pm	35pm	Century 10p	53pm	.....
35	Nil	14/8	[illegible]	[illegible]	Dares Estates 5p	49pm	.....
20	Nil	18/8	18½pm	12½pm	Eagle Trust 2½p	18½pm	+¼
5	Nil	—	27pm	25pm	♦Entertainment Prod 5p	25pm	.....
320	Nil	—	45pm	35pm	Frogmore Estates 50p	40pm	+5
‡‡	Nil	10/8	32pm	28pm	Grahams Rintoul Inv. Tst. Units	28pm	-4
33	Nil	24/8	40pm	28pm	Helene of London 10p	40pm	+2
120	Nil	—	35pm	28pm	♦Hughes Food 5p	35pm	.....
65	Nil	24/7	35pm	16pm	John.ay's Hldgs. 2p	36pm	+1
140	Nil	—	42pm	23pm	♦Laidlaw Thomson	42pm	+4
385	Nil	14/8	138pm	81pm	Mercury Intl.	129pm	-3
—	Nil	—	228pm	190pm	Merlin Intl. Props. Parcels	217pm	.....
75	Nil	14/8	34pm	10pm	Paramba 10p	34pm	+6
95	Nil	21/8	10pm	3pm	Plantation Trust	9pm	.....
310	Nil	21/8	62pm	13pm	Ropners 10p	49pm	.....
400	Nil	20/8	225pm	165pm	Tranwood Units†	209pm	.....
45	Nil	24/8	21pm	14pm	Utd. Realsmen 5p	19pm	.....
875	Nil	—	29pm	20pm	WPP Group 10p	20pm	.....
300	Nil	19/8	150pm	110pm	Western Motor	110pm	-15
—	Nil	—	91pm	81pm	Westwood Dawes 12½p	81pm	-5
190	Nil	26/8	118pm	41pm	Whittington	110pm	-3

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. W Pro Forma Figures † Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ## Including warrants entitlement. ♦ Placing and offer for sale price. * Third Market † 10 Tranwood Rights & 3 Wrnts. to sub for 1 new Tranwood @ 40.

APPOINTMENTS

Chief executive for ARC

Mr Keith Orrell-Jones has become chief executive of ARC. He succeeds Mr Charles Spence, who continues as chairman. Mr Orrell-Jones joined the company in 1972. His career has included appointments as deputy regional director of ARC South Eastern, group marketing director and managing director of ARC Southern. Since 1982 he has been president and chief executive of ARC America Corporation, based in Newport Beach, California.

★

The MITEL CORPORATION has appointed as president and chief executive officer Mr John Jarvis, who joins from PA, where he was group chief executive of PA Computers and Telecommunications. He is succeeded at PA by Mr Michael Kappolt who has been a main board member of PA Computers and Telecommunications since 1981.

★

Following the formation of CGA FINANCIAL SERVICES which includes CGA (Insurance Brokers) together with Fraser Tudor, Barrett Studd and IPAM Investments, the company, part of Fredericks Place Holdings, has appointed Mr Ronald Denham (chief executive of The Country Gentlemen's Association) as chairman; Mr Stuart Goldsmith (chief executive of Fredericks Place Holdings) as deputy chairman; Mr Stewart Jones, managing director; Mr Keith Owen, deputy managing director; and Mr Victor Harvey, Mr Marcus Egerton, Mr Colin Studd, Mr Robin Hunter and Mr Timothy de Salis as directors.

★

COUNTY NATWEST, investment banking subsidiary of National Westminster Bank, has appointed Mr Pierre Esteva as a director. He will advise on the expansion of the investment banking activities of County NatWest in France. He is an inspector general of the Finance Inspection Corps and, until 1983, was president of Union des Assurances de Paris, the largest insurance company in France.

★

PERTHCREST has appointed two directors. Mr Steve Day, with company since 1974, becomes customer services director. Mr Ian Young joins the board as non-executive director with responsibility for business strategy planning and support to the managing director. Mr Young has been in the computer industry for over 20 years, the majority as senior manager for ICL.

★

Following acquisition of the ANALYTICAL DEVELOPMENT CO by Halma, the following board changes have been made. Mr Ernest Moult, formerly managing director of ADC, has been appointed vice-chairman. Succeeding him as managing director is Mr Ron Coombes, formerly technical director. Mr Geoff Smith, formerly company accountant, has been appointed company secretary.

★

BUNZL has appointed Mr Jon Edis-Bates as company secretary. He joined as company solicitor in 1985. Mr Donald Latimer, formerly company secretary, remains as group services director.

Audit director Midland Bank

Mr David G. McLachlan has been appointed group audit director at MIDLAND BANK. He was risk management director in the UK banking sector, and succeeds Mr Michael Going who is taking up a senior appointment with Midland in News York.

★

CLENCH STRATEGY has appointed Mr P. J. Lewis as a director. He was with Streets Financial Strategy.

★

THISTLE HOTELS has appointed Mr Andrew Parry as director of development, reponsible for the identification and acquisition of new properties in the UK and overseas. He succeeds Mr Chris Cole who has left the group to set up his own company. Mr Parry joins from the Martin Retail Group where he was director of new concept development.

★

Mr David Potter has joined the board of MAYBOX GROUP, West End theatre group that is diversifying into multi-screen cinemas. Mr Potter is global corporate banking director of Midland Bank, and a director of Samuel Montagu.

★

PORTFOLIO ADMINISTRATION has appointed Mr Terry Forward as a director.

★

Mr John Paton, managing director of Kenneth Wilson Group, and Mr Bob Stokell, managing director of BEOCO, have become directors of BUNGE & CO.

★

Mr Brian Bassett, a regional director with Barratt Developments, has been appointed managing director of GREEN LANE DEVELOPMENTS, residential development subsidiary of Alfred Walker.

★

Mr Peter J. Sangster and Mr Robert G. Gill have been appointed executive directors of REED CORRUGATED CASES. Mr Sangster, formerly marketing director, is responsible for the company's Edinburgh, Coatbridge, Hartlepool, Histon, Aylesford and Langar plants plus the central marketing department at Cowley, Uxbridge. Mr Gill, formerly general manager at the Lydbrook plants, is responsible for the Warrenpoint, Wigan, Shirley, Lydbrook, Reedecor and Powell Lane, and Thatcham branches plus the company's packaging advisory centre at Aylesford.

★

Mr Peter Stuart Ardron, who recently retired as vice chairman of Barclays International, has joined the board of AK INTERNATIONAL as vice chairman.

★

The following board appointments have been made in three HAWKER SIDDELEY subsidiary companies: Mrs Pauline Sanderson to Hawker Pacific Pty as products support director; Mr Christopher Campbell to Elmwood Sensors as finance director; and Mr Trevor Passmore to Mirrlees Blackstone (Stamford) as production director.

★

The CHARTERED INSTITUTE OF MANAGEMENT ACOUNTANTS has appointed Vice Admiral Sir George Vallings to succeed Mr T. R. Degenhardt as secretary on his retirement in November.

★

Mr Ronald Yearsley, chairmen of BIS Applied Systems, hes been reappointed as a non-executive member of the LONDON ELECTRICITY BOARD for a further three years.

★

Mr Andrew W. M. Walker, managing director of MFP Melbourn, has been appointed responsible for the Akron Road facility of Lawson Mardon Packaging Toronto.

Mr Peter Schmidt-Hansen, pouch business manager. Mardon Flexible Packaging, will be appointed managing director, MFP Mellbourn. Both are LAWSON MARDON companies.

★

METESTATES UK portfolio managers to the MEPC Group, has appointed Mr David Helliwell to the board, as director responsible for co-ordinating the management of the group's portfolio of shopping centres throughout the UK.

★

AVON RUBBER has appointed Mr Derek Hudson as an executive director, and in this capacity he becomes chairman of Avon Tyres, Motorway Tyres and Accessories; and Avon Rubber Company East Africa. His former post as managing director of Avon Tyres has been filled by the promotion of Mr Brian Clapson, formerly the company's technical director.

★

Mr Mark Cliffe has joined the NOMURA RESEARCH INSTITUTE to specialise in international economic research. He was chief economist and director of ANZ Merchant Bank (incorporating Capel-Cure Meyers). Since 1980 he has been a participator in the ITEM (Independent Treasury Economic Model) Club of Economic Forecasters and was elected chairman three years ago.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday July 17 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Thurs July 16 Index No.	Wed July 15 Index No.	Tues July 14 Index No.	Year ago (approx.) Index No.	1987 High		1987 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (212)	1037.12	−0.1	6.61	2.62	18.93	11.21	1038.07	1032.27	1023.33	714.89	1038.07	16/7	696.73	2/1	1038.07	16/7/87	50.71	13/12/74
2	Building Materials (30)	1363.61	−1.3	6.52	2.51	19.10	15.55	1381.08	1368.34	1356.67	813.12	1381.08	16/7	860.39	5/1	1381.08	16/7/87	44.27	11/12/74
3	Contracting, Construction (33)	1941.30	−0.5	6.17	2.47	21.75	19.38	1951.50	1946.74	1911.62	1249.87	1951.50	16/7	1185.88	2/1	1951.50	16/7/87	71.48	2/12/74
4	Electricals (12)	2730.81	+0.9	5.44	2.84	23.67	36.50	2706.42	2695.90	2688.10	1851.62	2730.81	17/7	1772.22	2/1	2730.81	17/7/87	84.71	25/6/62
5	Electronics (35)	2236.70	+1.4	6.78	2.19	18.89	15.26	2205.81	2183.52	2163.46	1592.32	2236.70	17/7	1543.77	2/1	2236.70	17/7/87	1229.01	8/10/85
6	Mechanical Engineering (60)	541.74	+0.1	7.45	3.12	16.85	7.80	541.14	540.98	538.35	399.88	541.74	17/7	393.85	2/1	541.74	17/7/87	45.43	5/1/75
8	Metals and Metal Forming (7)	585.70	−0.4	6.69	2.69	18.02	6.86	588.17	589.02	580.32	345.95	589.02	15/7	355.97	2/1	589.02	15/7/87	49.65	6/1/75
9	Motors (14)	406.20	—	7.52	2.62	15.45	3.42	406.20	401.65	393.64	298.99	406.20	16/7	272.03	2/1	406.20	16/7/87	19.91	6/1/75
10	Other Industrial Materials (21)	1699.54	−0.8	5.68	2.85	21.22	22.53	1712.49	1708.64	1704.68	1277.51	1712.49	16/7	1179.19	2/1	1712.49	16/7/87	277.55	15/1/81
21	CONSUMER GROUP (185)	1401.23	−0.4	5.65	2.42	22.72	14.33	1406.32	1395.05	1383.34	985.94	1406.32	16/7	950.87	2/1	1406.32	16/7/87	61.41	13/12/74
22	Brewers and Distillers (22)	1265.93	−0.3	7.41	2.82	16.98	11.77	1269.35	1262.74	1253.53	903.15	1269.35	16/7	938.84	2/1	1269.35	16/7/87	69.47	13/12/74
25	Food Manufacturing (24)	1089.31	−0.3	6.45	2.81	20.12	15.12	1092.25	1090.46	1075.76	677.95	1092.25	16/7	738.32	2/1	1092.25	16/7/87	59.67	11/12/74
26	Food Retailing (16)	2612.79	−1.4	4.99	2.22	27.32	21.16	2649.96	2622.00	2605.45	1831.36	2649.96	16/7	1881.08	2/1	2649.96	16/7/87	54.25	11/12/74
27	Health and Household Goods (10)	2691.83	−0.3	3.76	1.49	31.13	15.11	2699.85	2661.81	2603.65	1529.04	2699.85	16/7	1645.70	2/1	2699.85	16/7/87	175.38	28/5/80
29	Leisure (31)	1475.66	−0.3	5.60	2.95	23.14	20.36	1480.59	1464.79	1462.23	892.95	1480.59	16/7	986.35	2/1	1480.59	16/7/87	54.83	9/1/75
31	Packaging & Paper (15)	736.97	−0.3	5.55	2.34	23.86	7.88	739.48	735.88	729.41	479.65	739.48	16/7	491.50	2/1	739.48	16/7/87	43.46	6/1/75
32	Publishing & Printing (15)	4564.69	—	4.61	3.00	27.88	59.63	4564.47	4516.75	4489.40	2558.21	4564.69	17/7	2713.49	2/1	4564.69	17/7/87	55.08	6/1/75
34	Stores (36)	1159.33	+0.1	6.14	2.46	22.12	12.81	1157.89	1145.98	1149.83	857.66	1159.33	17/7	835.17	2/1	1159.33	17/7/87	52.63	6/1/75
35	Textiles (16)	851.74	−1.4	7.30	2.63	15.90	11.71	864.21	876.07	868.78	543.67	876.07	15/7	541.39	2/1	876.07	15/7/87	62.66	11/12/74
40	OTHER GROUPS (86)	1183.16	−0.8	7.30	2.95	17.10	11.06	1192.30	1185.52	1177.27	761.93	1192.30	16/7	815.89	5/1	1192.30	16/7/87	58.63	6/1/75
41	Agencies (16)	1795.57	+0.6	3.69	1.33	35.77	9.76	1785.08	1786.84	1755.36	0.0	1795.57	17/7	1111.16	2/1	1795.57	17/7/87	1111.16	2/1/87
42	Chemicals (22)	1461.82	−0.7	6.73	3.01	18.21	19.79	1471.02	1458.23	1456.32	918.65	1471.02	16/7	1002.01	2/1	1471.02	16/7/87	71.20	1/12/74
43	Conglomerates (12)	1530.12	−1.0	6.95	3.01	16.51	18.93	1546.12	1536.22	1519.46	0.0	1546.12	16/7	1112.14	2/1	1546.12	16/7/87	1112.14	2/1/87
45	Shipping and Transport (11)	2487.95	−0.4	6.29	3.23	21.00	37.76	2497.85	2451.74	2443.47	1471.18	2497.85	16/7	1567.77	2/1	2497.85	16/7/87	90.80	29/6/62
47	Telephone Networks (2)	1142.66	−1.8	8.80	3.54	15.16	2.95	1164.15	1159.41	1149.48	792.74	1274.14	9/6	837.15	5/1	1274.14	9/6/87	517.92	30/11/84
48	Miscellaneous (23)	1715.19	+0.2	8.22	2.60	14.59	18.61	1711.29	1709.08	1702.56	1041.66	1715.19	17/7	1101.37	5/1	1715.19	17/7/87	60.39	6/7/75
49	INDUSTRIAL GROUP (483)	1263.79	−0.4	6.34	2.61	19.93	12.80	1268.86	1260.28	1250.09	829.85	1268.86	16/7	860.46	2/1	1268.86	16/7/87	59.01	13/12/74
51	Oil & Gas (17)	2451.05	−0.3	4.46	3.77	29.00	37.29	2458.68	2429.74	2437.48	1195.36	2458.68	16/7	1505.69	5/1	2458.68	16/7/87	87.23	29/5/62
59	500 SHARE INDEX (500)	1364.59	−0.4	6.05	2.79	20.94	14.94	1369.88	1359.57	1350.91	862.29	1369.88	16/7	915.61	2/1	1369.88	16/7/87	63.49	13/12/74
61	FINANCIAL GROUP (119)	881.85	—	—	3.34	—	13.48	882.11	868.44	857.13	611.55	882.11	16/7	615.75	2/1	882.11	16/7/87	55.88	13/12/74
62	Banks (8)	896.02	−0.3	15.46	4.18	8.55	16.24	898.38	878.89	862.29	657.11	898.38	16/7	685.07	14/4	898.38	16/7/87	62.44	12/12/74
65	Insurance (Life) (9)	1181.01	−0.8	—	3.57	—	20.71	1190.53	1165.24	1152.05	878.30	1194.71	7/7	869.23	2/1	1194.71	7/7/87	44.88	2/1/75
66	Insurance (Composite) (7)	652.05	+0.8	—	3.75	—	11.76	647.13	646.88	642.91	495.35	652.05	17/7	456.52	2/1	652.05	17/7/87	43.96	13/12/74
67	Insurance (Brokers) (9)	1399.56	+2.5	7.69	3.87	16.76	26.32	1365.34	1345.91	1338.71	1193.97	1399.56	17/7	1089.71	14/4	1399.56	17/7/87	65.86	16/12/74
68	Merchant Banks (11)	504.96	+3.1	—	2.68	—	6.88	489.75	490.54	487.67	343.39	504.96	17/7	345.85	2/1	504.96	17/7/87	31.21	7/1/75
69	Property (47)	1358.44	−1.2	3.49	2.17	37.04	12.06	1374.86	1353.66	1334.35	790.01	1374.86	16/7	805.82	5/1	1374.86	16/7/87	56.01	20/4/65
70	Other Financial (28)	603.19	—	5.49	2.68	22.91	7.17	603.48	589.67	581.62	341.29	603.48	16/7	365.01	2/1	603.48	16/7/87	33.29	17/12/74
71	Investment Trusts (91)	1147.98	−0.1	—	2.09	—	11.12	1149.12	1143.59	1139.73	757.39	1149.12	16/7	867.57	2/1	1149.12	16/7/87	71.12	13/12/74
81	Mining Finance (2)	615.00	−1.2	5.51	2.70	20.87	6.79	622.46	608.23	591.94	246.08	622.46	16/7	341.86	2/1	622.46	16/7/87	66.31	30/9/74
91	Overseas Traders (10)	1197.23	—	7.54	3.92	15.73	23.27	1197.17	1173.54	1163.29	667.50	1197.23	17/7	778.26	2/1	1197.23	17/7/87	97.37	6/1/75
99	ALL-SHARE INDEX (722)	1234.49	−0.3	—	2.86	—	14.37	1238.57	1227.45	1218.15	787.84	1238.57	16/7	835.48	2/1	1238.57	16/7/87	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	July 16	July 15	July 14	July 13	July 10	Year ago	1987 High		1987 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX ♠	2428.7	−14.7	2440.9	2419.4	2443.4	2419.2	2403.0	2386.6	2382.0	1584.4	2443.4	16/7	1674.5	2/1	2443.4	16/7/87	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri July 17	Day's change %	Thurs July 16	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.45	+0.12	123.30	—	6.83
2	5-15 years	143.76	+0.18	143.51	—	7.83
3	Over 15 years	154.82	+0.16	154.58	—	6.85
4	Irredeemables	168.44	+0.25	168.02	—	7.27
5	All stocks	139.99	+0.16	139.77	—	7.37
	Index-Linked					
6	5 years	123.10	+0.07	123.01	—	1.57
7	Over 5 years	116.67	+0.19	116.67	0.22	2.08
8	All stocks	117.02	+0.18	117.02	0.20	2.03
9	Debentures & Loans	124.07	+0.44	123.53	—	6.17
10	Preference	88.74	+0.11	88.65	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Fri July 17	Thurs July 16	Year ago (approx.)	1987 Highs		1987 Lows	
	British Government								
1	Low	5 years	8.07	8.08	8.19	9.78	2/1	7.52	11/5
2	Coupons	15 years	8.84	8.85	9.24	10.08	2/1	8.53	8/5
3		25 years	8.85	8.86	9.28	10.08	2/1	8.55	8/5
4	Medium	5 years	8.94	8.96	9.58	10.80	2/1	8.39	8/5
5	Coupons	15 years	9.07	9.08	9.59	10.39	2/1	8.74	8/5
6		25 years	9.07	9.09	9.59	10.18	2/1	8.75	8/5
7	High	5 years	9.11	9.13	9.75	10.84	2/1	8.58	8/5
8	Coupons	15 years	9.22	9.23	9.73	10.57	2/1	8.86	8/5
9		25 years	9.02	9.04	9.58	10.24	2/1	8.72	8/5
10	Irredeemables†		8.76	8.77	9.25	10.06	2/1	8.67	8/5
	Index-Linked								
11	Inflat'n rate 5%	5 yrs	2.34	2.35	3.96	3.95	2/1	2.08	20/5
12	Inflat'n rate 5%	Over 5 yrs	3.73	3.74	3.55	3.87	2/1	3.30	6/4
13	Inflat'n rate 10%	5 yrs	2.09	2.08	2.65	2.57	16/4	0.85	24/3
14	Inflat'n rate 10%	Over 5 yrs	3.68	3.69	3.38	3.78	2/7	3.17	27/3
15	Debs &	5 years	10.06	10.12	10.07	11.46	2/1	9.46	12/6
16	Loans	15 years	10.06	10.12	10.37	11.30	2/1	9.79	23/3
17		25 years	10.06	10.22	10.43	11.30	2/1	9.84	23/3
18	Preference†		10.23	10.24	10.73	11.83	2/1	10.05	22/6

♠ Opening index 2440.3; 10 am 2426.0; 11 am 2426.1; Noon 2421.9; 1 pm 2425.5; 2 pm 2427.6; 3 pm 2431.0; 3.30 pm 2429.0; 4 pm 2426.8.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/04/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/04/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs. & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 32p.

CONSTITUENT CHANGES: Stone International (4) has been deleted. Caradon (2) and St. Mauden Properties (69) have both been inserted.

INTL. COMPANIES and FINANCE

Incredible Hulk enters bid arena

BY ANATOLE KALETSKY IN NEW YORK

SPIDERMAN and the Incredible Hulk strode into the stockmarket yesterday brandishing their chequebooks, as New World Pictures, the parent company of Marvel Comics, launched a $500m takeover bid for Kenner Parker Toys.

If the $41 a share bid, widely hailed for its indutrial logic, succeeds, New World Pictures, a rapidly-growing California maker ofw low-budget movies and TV programmes, will have created a vertically integrated fantasy empire.

Its capabilities would stretch from the conception of Hulk, Spiderman and 900 other Marvel characters to their physical manifestation in Kenner Parker Toys and the elaboration of their adventures in New World films, cartoons and television series.

In the wildly volatile and faddish world of children's toys and entertainments this integration of product development, marketing and promotion through TV series and comics could give the combined company a considerable edge. This, according to Wall Street analysts, seems to justify the high price New World is willing to pay for the Kenner Parker business.

Before the disclosure on June 12 that New World was accumulating Kenner Parker stock, the company's shares were languishing between $25 and $30.

Yesterday the stockmarket anticipated a further sweetening of the New World offer, with Kenner's shares jumping $5¼ to $45¼ after the bid announcement. In the past fiscal year Kenner Parker's net profits amounted to $1.22 per share.

Kenner Parker did not immediately react to the New World bid, except to say that it was "unsolicited" and that the board would consider it in the near future.

New World, which appears to be anxious for an agreed deal, went out of its way to praise Kenner Parker's management and suggested that it would be prepared to raise its offer if additional value in the company could be demonstrated in "the context of a negotiated transaction."

In the context of a takeover fight, on the other hand, New World has Drexel Burnham Lambert, as well as the Incredible Hulk on its side.

CIBC links with Gordon Capital

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Imperial Bank of Commerce, the country's third largest chartered bank, is joining Gordon Capital Corporation to form a major investment bank able to compete with the emerging international giants.

Gordon Capital, Canada's fastest growing investment firm, has been seeking an alliance with another institution for about a year to increase its capital base and its competitive power.

The new investment bank, due to be officially announced late yesterday, will have capital of around C$400m (US$402m), the same as Wood Gundy, which last month sold a 35 per cent ownership interest to First National Bank of Chicago for C$270m.

Gordon has specialised in institutional trading and within the past five years has become a major force in corporate underwriting. Some of its deals have been backed by Hees International, an investment banking firm associated with the Peter and Edward Bronfman interests of Toronto.

CIBC, with assets of about C$88bn, has been through a restructuring and recently set up an investment banking unit headed by a well-known figure from the Toronto investment community.

The bank will own 20 to 35 per cent of the new investment bank, to be called Gordon Investment. This in turn will own 50 per cent of Gordon Capital. Some industry reports claim that a US institution may join later as a third partner.

Gordon Capital will concentrate on trading securities and underwriting, while Gordon Investments will concentrate on mergers and deals and venture capital projects.

Nissan Motor slides 43% at group net level

By Yoko Shibata in Tokyo

NISSAN MOTOR and its 47 consolidated subsidiaries and 29 affiliates accounted under the equity method have reported a 42.9 per cent fall in consolidated net profits to Y20.37bn ($135m) in the year to March 1987.

The decline was attributed chiefly to lower net profits at the parent company, which fell Y18.1bn from the previous year. Net profits of consolidated subsidiaries, however, increased by Y2.8bn.

Consolidated sales reached Y4,273.4bn, down 7.7 per cent from the previous year. Of the total revenue, Y844.1bn is attributed to Nissan's consolidated subsidiaries. Consolidated subsidiaries overseas accounted for approximately Y480bn and domestic subsidiaries Y360bn.

Nissan said approximately Y650bn of the decline in sales was attributable to the adverse effect of the yen's appreciation.

The group incurred an operating loss of Y31.42bn against the previous year's operating profit of Y75.48bn, and pre-tax profits of Y22.2bn, down 39.2 per cent from the previous year.

For the current year, Nissan forecasts that its consolidated sales will edge up to Y4,300bn. Consolidated net profits are projected at between Y40bn and Y50bn, assuming an exchange rate of slightly less than Y150 to the dollar.

Dealers 'will need more capital'

BY ANDREW BAXTER

CANADIAN SECURITIES companies will need steadily increasing infusions of new capital to compete effectively in the recently deregulated domestic market and abroad, said Mr Austin Taylor, chairman of McLeod Young Weir, one of the big three Canadian investment dealers.

On June 30, as part of Canada's "Little Bang," the hitherto protected securities industry was formally opened to competition. Foreign groups were given the right to buy up to 50 per cent of a Canadian firm, rising to 100 per cent from June 30 next year. Canadian trust companies, banks and insurance groups are also now entitled to enter the securities business.

Mr Taylor said in London this week that the Canadian securities industry had not until recently seen the need to build capital. However, as the industry changed from being basically an agency business to a principal-based one, there had been "a mad scramble and a race" to build capital.

McLeod itself has grown from an equity base of just C$8m in 1978 to around C$250m, helped by a deal this year lifting Shearson Lehman's stake in the company from 10 per cent to 30 per cent.

However Mr Taylor said the company would need to double its capital to about C$500m over the next five years, to face up to competition in the domestic market from bigger, strongly capitalised US, Japanese and UK investment banks, and from domestic financial institutions many of which had yet to show their hand.

The effects of deregulation were already being felt, he said, with pressure both on pay levels as entrants to the Canadian market sought to take on staff, and on margins, particularly in bond trading and institutional business.

In contrast foreign companies had for the most part shown less interest in the retail sector, which still provides about 45-50 per cent of the Canadian industry's business and where a large branch network is an important factor.

In the longer-term Mr Taylor foresees continuing and increasing attrition among the smaller and medium-sized Canadian securities firms, and estimates that 20 out of the current 73 members of the Toronto Stock Exchange would survive the next five years.

TV station rules could hit Fairfax

By Chris Sherwell in Sydney

JOHN FAIRFAX, the Australian newspaper and broadcasting group, could lose half the A$320m (US$227.1m) it paid for the Melbourne HSV-7 television station when it sells the channel under the country's new media legislation.

This forecast came yesterday from Mr John d'Arcy, chairman of the Herald and Weekly Times (HWT) group, which sold HSV-7 to Fairfax when HWT was taken over by Mr Rupert Murdoch's News group.

Mr d'Arcy, speaking in Melbourne, said the prices paid for television stations earlier this year were extraordinarily high and bore no relation to fundamentals.

The Fairfax purchase was made during the media industry shake-up which followed the Government's announcement of proposed changes in media ownership rules last November.

The changes removed the two-station ceiling on the ownership of television channels, but disallowed the ownership of both a major newspaper and a television station in a single metropolitan centre.

This is a problem for Fairfax because it owns The Age newspaper in Melbourne. According to Mr d'Arcy, HSV-7 was valued at A$115m in November 1985. Mr d'Arcy said he would be surprised if a prospective buyer would offer half of the A$320m paid by Fairfax.

Fairfax would, however, receive a higher price if the Seven network was sold as a whole. The group owns three stations in the network, in Melbourne, Sydney and Brisbane.

Messina plans trial milling at Lebowa site

By Jim Jones in Johannesburg

MESSINA, the South African copper and coal mining company, is to spend R10m ($4.9m) on trial milling at its platinum prospect in the black homeland of Lebowa.

Exploration drilling is almost complete, but the directors say metallurgical test work still has to be done and underground mining conditions determined before full-scale mining operations can be established.

Drilling has indicated the existence of 19m tonnes of Merensky reef grading 6.4 grammes per tonne (g/t) of platinum group metals (PGM) on three farms in Lebowa, with another 27m tonnes of ore inferred below the depth of drilling. About 32m tonnes of UG2 reef grading 6.2 g/t have also been indicated, with a further 43m tonnes inferred below the ore indicated by drilling.

The company has not said when the metallurgical tests will be completed, but Johannesburg mining analysts believe they will not take much longer than a year.

If Messina does decide to develop a mine, it will be the third new platinum venture to be started since the middle of 1986. Gold Fields of South Africa (GFSA) is spending about R559m to develop its Northam platinum mine, and Golden Dumps has started to establish its Lefkochrysos mine.

Telefonica lifts operating profit 26% in first half

BY OUR FINANCIAL STAFF

TELEFONICA, the Spanish telecommunications group which last month added New York to its quota of foreign stock market listings, reports strong progress over the first half of 1987.

On turnover 16 per cent higher at Pta 259bn ($2.06bn), the group's gross operating profit for the six months ended June 1987 have risen to Pta 54.15bn, an increase of 26 per cent.

Telefonica, in which the Spanish Government holds a 47 per cent shareholding, achieved sales and gross profits growth of 17 per cent and 36 per cent respectively over the first quarter of this year.

The group's operating margin for the six months widened to Pta 171.4bn from Pta 146.6bn.

Capital spending during the period rose by 27 per cent to Pta 103bn.

Around 22 per cent of Telefonica's capital is held outside Spain. As well as New York, the company is listed in London, Frankfurt, Paris and Tokyo.

Last month's debut on Wall Street saw Telefonica raise around $375m through a placing of shares.

Telefonica said it was in talks with Fiat aimed at persuading the Italian motor group to join a venture capital company being formed by Telefonica to invest in technology businesses in Spain and abroad.

A US partner who also being sought, Mr Luis Solana, Telefonica's chairman said.

Good progress by SBC

BY OUR FINANCIAL STAFF

SWISS BANK CORPORATION has made good progress in the second quarter and its results for the first half of 1987 are said to have been satisfactory.

The big Swiss bank, which gave no figures for earnings, said its interest surplus was slightly ahead of the 1986 second quarter, even though margins remained tight. In virtually all sectors of commission business, the bank achieved an unchanged high level of earnings, it said.

Costs were substantially higher due to capital spending and a rise in personnel costs but stayed within budget. Assets rose 3.1 per cent in the half-year to SFr 142.1bn ($92.9bn)

For 1986 the bank turned in net profits of SFr 674m and paid a maintained dividend of SFr13 a share.

NORTH AMERICAN QUARTERLY RESULTS

AMERICAN HOME PRODUCTS
Pharmaceuticals, household products

	1987 $	1986 $
Second quarter		
Revenues	1.23bn	1.2bn
Net income	195.9m	181.3m
Net per share	1.33	1.20
Six months		
Revenues	2.52bn	2.46bn
Net income	412.3m	378.2m
Net per share	2.78	2.50

BLACK & DECKER
Power tools

	1987 $	1986 $
Third quarter		
Revenues	466m	416.6m
Net income	9m	600,000
Net per share	0.15	0.01
Nine months		
Revenues	1.43bn	1.36bn
Net income	40.6m	23.1m
Net per share	0.69	0.42

CHAMPION INTERNATIONAL
Forest products

	1987 $	1986 $
Second quarter		
Revenues	1.16bn	1.10bn
Net income	*155.7m	60.5m
Net per share	*1.64	0.51
Six months		
Revenues	2.26bn	2.22bn
Net income	*211.2m	72.5m
Net per share	*2.23	0.71

* Includes 89 cents a share gain from investment sales

CONTEL
Telecommunications

	1987 $	1986 $
Second quarter		
Revenues	745.6m	775.4m
Net income	46.9m	56.9m
Net per share	0.61	0.74
Six months		
Revenues	1.47bn	1.47bn
Net income	101.5m	105.8m
Net per share	1.32	1.38

GANNETT
Publishing

	1987 $	1986 $
Second quarter		
Revenues	789.8m	716.2m
Net income	89.7m	77.2m
Net per share	0.56	0.48
Six months		
Revenues	1.49bn	1.33bn
Net income	142.3m	122m
Net per share	0.88	0.76

GILLETTE
Toiletries

	1987 $	1986 $
Second quarter		
Revenues	781.7m	678.5m
Net income	58m	46.8m
Net per share	0.50	0.37
Six months		
Revenues	1.52bn	1.33bn
Net income	113m	91.8m
Net per share	0.98	0.73

G. HEILEMAN BREWING
Brewing

	1987 $	1986 $
Second quarter		
Revenues	374.3m	386m
Net income	18.6m	20.2m
Net per share	0.70	0.77
Six months		
Revenues	681.1m	684.4m
Net income	26.1m	27.3m
Net per share	0.98	1.04

HERCULES
Specialty chemicals

	1987 $	1986 $
Second quarter		
Revenue	688m	690m
Net profits	60.6m	60.1m
Net per share	1.08	1.06
Six months		
Revenue	1.35bn	1.33bn
Net profits	199.1m	123.2m
Net per share	3.51	2.18

HILTON HOTELS
Hotels

	1987 $	1986 $
Second quarter		
Revenues	224m	194.3m
Net income	35.2m	30.5m
Net per share	1.40	1.22
Six months		
Revenues	426.2m	356.7m
Net income	59.2m	47.9m
Net per share	2.36	1.92

INLAND STEEL INDUSTRIES
Steel, steel products

	1987 $	1986 $
Second quarter		
Revenues	845.1m	815.8m
Net income	17.6m	15.7m
Net per share	0.44	0.48
Six months		
Revenues	1.66bn	1.57bn
Net income	78.9m	†6.3m
Net per share	2.43	†0.37

† Loss

NBD BANCORP
Banking

	1987 $	1986 $
Second quarter		
Assets	22.6bn	20.3bn
Net income	15.4m	41.8m
Net per share	0.33	0.96
Six months		
Net income	63.5m	84.9m
Net per share	1.34	1.93

NORTH AMERICAN PHILIPS
Electrical, electronic products

	1987 $	1986 $
Second quarter		
Revenues	1.07bn	1.06bn
Net income	5.1m	†10.8m
Net per share	0.17	†0.38
Six months		
Revenues	2.17bn	2.09bn
Net income	19.6m	3.5m
Net per share	0.67	0.12

PACIFIC GAS AND ELECTRIC
Utility

	1987 $	1986 $
Second quarter		
Revenue	1.77bn	1.86bn
Net profits	153.4m	285.3m
Net per share	0.33	0.63
Twelve months		
Revenue	7.46bn	8.12bn
Net profits	870.6m	1.05bn
Net per share	2.01	2.63

TANDEM COMPUTERS
Computer systems

	1987 $	1986 $
Third quarter		
Revenues	264m	200.9m
Net income	25.6m	18.1m
Net per share	0.26	0.20
Six months		
Revenues	744.4m	547.2m
Net income	75.2m	42.2m
Net per share	0.77	0.46

TRANSAMERICA
Financial services

	1987 $	1986 $
Second quarter		
Revenues	1.95bn	1.56bn
Op. net income	82.1m	54.2m
Op. net per share	1.05	0.68
Six months		
Revenues	3.76bn	3bn
Op. net income	149.9m	94.3m
Op. net per share	1.91	1.19

WEST POINT-PEPPERELL
Textiles

	1987 $	1986 $
Third quarter		
Revenues	487.6m	477m
Net income	12.2m	9m
Net per share	0.90	0.62
Nine months		
Revenues	1.46bn	1.31bn
Net income	46.7m	34.9m
Net per share	3.28	2.71

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1987 High	1987 Low
METALS					
Aluminium,					
Free Market c.i.f.	$1675/695	-15	$1295/302	$1715/1740	$1205/1225
Antimony					
Free Market 99.6%	$2150/2200	-100	$2880/2300	$2480/2500	$2150/2200
Copper-Cash Grade A	£1016	-38.5	£888.5	£1043	£870.25
3 months Grade A	£1002.5	-35.75	£905	£1024.75	£849.5
Gold per oz	$450.5	+4.0	$349.25	$475	$390.25
Lead Cash	£407.5	-17.5	£249	£446	£288.75
3 months	£385.75	-13.75	£254.25	£417.5	£290.75
Nickel					
Free market	228/240c	+22	175/195c	228/240c	155/177c
Palladium	$140.50	+0.75	$112.5	$161.00	$117.15
Platinum per oz	$571.40	+10.40	$438.9	$645.50	$475.75
Quicksilver (76lbs)	$235/245	—	$190/200	$270/280	$150/160
Silver per oz	475.25p	+0.60	336.15p	653.60p	344.40p
3 months per oz	485.80p	+0.35	345.80p	666.20p	352.70p
Tin					
Free market	£3870/4000	-75	£3620/640	£4,010/040	£3,980/000
Tungsten Ind.	$56.21	-1.95	$57.24	$58.16	$41.44
Wolfram (22.04 lbs)	$48/55	—	$42/50	$50/56	$32/42
Zinc cash	£498	-33.5	£536.5	£567	£448.5
3 months	£489.5	-29.0	£533.5	£550.5	£448
Producers	$860	—	$840	$870	$770/790
GRAINS					
Barley Futures Nov	£96.60	+0.70	£103.25	£118.35	£95.30
Maize French	‡	—	£155.00	£155.00	£149.00
WHEAT Futures Nov	£101.70	+2.65	£103.70	£125.50	£98.75
SPICES					
Cloves	$5400	+50	$4300	$5,800	$3,900
Pepper white	$5300	+150	$4300	$6,400	$4,900
black	$4650	+50	$3950	$4,900	$4,200
OILS					
Coconut (Philippines)	$427.5z	-20.0	$238.5	$550	$330
Palm Malayan	307.5v	—	‡	$390	$300
SEEDS					
Copra (Philippines)	$305y	-15	$145	$380	$220
Soyabeans (U.S.)	$148x	—	$162	$162.5	$153.5
OTHER COMMODITIES					
Cocoa Futures Sept	£1369.5	+34.0	£1400.5	£1,459.5	£1,219.5
Coffee Futures Sept	£1242.5	+1.0	£1912.5	£1555.5	£1,241.5
Cotton Outlook A Index	84.30c	+2.85	35.85c	84.30c	82.65c
Gas Oil Fut. Sept	$173.25	+5.25	$102.25	$173.25	$125.5
Jute LJA BWC grade	$390	—	$235	$390	$280
Rubber kilo	69.50p	+0.50	60p	69.75p	60p
Sisal No. 3	$610	—	$620	$610	$610
Sugar (Raw)	$161.40	-12.60	$152	$204	$139.5
Tea (quality) kilo	170p	+10	200p	180p	140p
(low med) kilo	70p	+12	96p	111p	60p
Wooltops 64s Super	478p kilo	+1	402p kilo	485p kilo	418p kilo

‡ Unquoted. (v) Sept. (z) June/July. (x) July/Aug. (y) Aug/Sept. (w) Sept/Oct (t) Oct/Nov.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) £ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1610-20	-5	—

Official closing (am): Cash— (—). three months 1610-15 (1485-1505). settlement — (—). Final kerb close: 1615-25. Ring turnover: nil tonnes.

99.5% purity	£ per tonne	+ or —	High/Low
Cash	1035-8	+8	—
3 months	958-6	+1.15	956/949

Official closing (am): Cash 1031-33. (1029-31). three months 955-6 (949-51). settlement 1033 (1031). Final kerb close: 958-9. Ring turnover: 23,075 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1015-17	-0.5	1032/1030
3 months	1002-3	-0.75	1023/1002

Official closing (am): Cash 1029.5-30 (1024.5-5.5). three months 1017.5-18.5 (1012-13). settlement 1030 (1025.5). Final kerb close: 1007.5-8.5.

Standard			
Cash	1014-16	+2.5	—
3 months	1000-2	+4	—

Official closing (am): Cash 1027-31 (1020-5), three months 1010-13 (1005-10), settlement 1031 (1025). US producer prices: 76.75/82 cents per lb. Total ring turnover: 55,350 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	407-8	+7.5	408/407
3 months	385.5-6	+10.75	391/379

Official closing (am): Cash 406.5-7.5 (401.5-2.5), three months 384-5 (377-8). settlement 407.5 (402.5). Final kerb close: 387.5-8. Ring turnover: 8175 tonnes. US spot: 36/42 cents per lb.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	3010-15	-25	—
3 months	3031-35	-9	3160/3050

Official closing (am): Cash 3110-15 (3050-60), three months 3110-11 (3045-8), settlement 3115 (3060). Final kerb close: 3045-50. Ring turnover: 2082 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	497-9	+12.5	483
3 months	489-90	+16	494/474

ZINC HIGH GRADE — — — —

Official closing (am): Cash 492-3 (508-10). three months 475-6 (485-5). settlement 483 (510). Final kerb close: 490-1. Ring turnover: 30,350 tonnes. US prime western: 47.5/48.5 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
		Sept.	Nov.	Sept.	Nov
Aluminium 99.5%	1,600	—	—	21	65½
	1,625	71½	55	29	80
	1,650	54½	45½	—	—
Copper (Grade A)	1,625	—	—	55	85
	1,650	32	42	70	103
	1,675	25	35	—	—
	£/tonne				
Copper (Grade A)	1,000	—	—	26	45
	1,025	20	26	37	56
	1,050	10	17	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET: Close 16.10 (16.08) ringgit per kg. Up 0.02 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)	July 17	
Close	$450¼-450¾	(£279½-278)
Opening	$452¾-453¼	(£278¾-279¼)
M'n'g fix	$452.60	(£278.770)
Aft'n'n fix	$450.60	(£279.269)
Day's high	$453¼-453¾	—
Day's low	$450-450½	—

GOLD AND PLATINUM COINS

Am Eagle, Mapleleaf, Kr'g'r'nd, ½ Krug., ¼ Krug., Angel, 1/10 Angel, New Sov., Old Sov., Noble Plat. [illegible]

INDICES

REUTERS

July 16	July 15	M'th ago	Year ago
1630.3	1637.1	1602.2	1491.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 16	July 15	M'th ago	Year ago
Spot	128.29	127.85	—	126.30
Fut	126.61	126.28	—	114.76

(Base: December 31 1931=100)

SILVER

Silver was fixed 2.3p an ounce lower for spot delivery in the London bullion market yesterday at 475.25p. US cent equivalents of the fixing levels were: spot 771c, down 7.8c; three-month 784c, down 7.9c; six-month 797.5c, down 7.9c; and 12-month 827c, down 8c. The metal opened at 476-478p (773-776c) and closed at 485-488p (752-795c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	475.25p	-2.30	764c	-8.5
3 months	485.80p	-2.25	777c	-8.5
6 months	496.25p	-2.15	—	—
12 months	518.10p	-2.15	—	—

LME—Turnover: 4 (8) lots of 10,000 ounces.

Final kerb close: 767-70c.

COFFEE

COFFEE	Yesterday close	+ or —	Business done
July	1205-1222	+12.5	1222-1200
Sept	1240-1245	+10.0	1255-1235
Nov.	1267-1272	+11.0	1278-1250
Jan	1285-1290	+11.0	1307-1283
Mar	1310-1320	+16.0	1325-1306
May	1332-1335	+13.5	1335-1335
July	1355-1380	+17.5	1350

Sales: 2944 (2165) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 16 Comp daily 1979 96.72 (96.47); 15-day average 96.56 (96.61).

COCOA

Sales: 6755 (5916) lots of 10 tonnes.

	Yesterday's close £ per tonne	+ or —	Business done
July	1 388-1391	-14.0	1395-1375
Sept	1372-1375	-6.0	1375-1365
Dec	1403-1404	+1.0	1405-1380
March	1422-1423	+5.0	1425-1410
May	1440-1441	+8.0	1440-14-2
July	1456-1458	+8.5	1441-14-5
Sept	1469-1470	+7.0	1470-1449

ICCO indicator prices (SDRs per tonne). Daily price for July 16 1729.17 (1720.92); 10-day average for July 17 1679.51 (1670.04).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	960/962	955/940	933/934
Oct.	1075	1078/1049	1030/1034
Jan.	1075	1075/1052	1048/1055
Apr.	1072/1075	1080/1080	1080/1050
July	930	940/930	900/940
Oct.	900	1000	980
Jan.	1000	1000	970
April	1100-1125	1120	1065/1100
BFI.	930.0	928.5	924.5

Turnover: 747 (522).

GRAINS

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	99.15	-0.22	96.60	—
Nov.	101.70	-0.15	99.60	0.35
Jan.	104.85	-0.15	102.40	0.35
Mar.	107.25	-0.10	104.75	0.35
May	109.70	-0.10	106.10	0.40
July	112.05	-0.15	—	—

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Aug 91.00, Sep 91.25, Oct 93.25. US No 2 soft red winter Aug 86.25, Sep 87.50, Oct 90.25. French 11½-12 per cent second half Jul/Aug 118.00. English feed fob Sep 101.00/101.25, Oct/Dec 104.50/105.50 buyer/sellers, Jan/Mar 108.50 buyer. Maize: US No 3 Yellow/French transhipment East coast Jul 183.00. Barley: English feed Jul/Aug 99.00 buyer, Aug 97.50/98.00 buyer/sellers, Sep 98.50 seller, Oct/Dec 103.50 buyer. Rest unquoted.

HGCA—Locational ex-farm spot prices: Feed Wheat: Eastern 122.00; E. Mids 119.80. The UK monetary coefficient for the week beginning Monday July 27 (based on HGCA calculations using 3 days' exchange rates) is expected to remain unchanged.

Business done—Wheat: Sept 99.20 only, Nov 101.85-1.70, Jan 104.85 only, Mar 107.35-7.25, May 109.80 only. Sales: 58 lots of 100 tonnes. Barley: Sept 96.65-6.75, Nov 99.95-9.70, Jan untraded, Mar 105.10-5.05, May untraded. Sales: 73 lots of 100 tonnes.

POTATOES

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	109.50	100.30	103.00-102.00
Feb	118.00	100.70	—
April	147.00	143.80	150.00-145.00
May	162.50	158.00	159.00-156.00

Sales: 972 (1226) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	18.15-18.25	—
Brent Blend	20.60-20.65	+0.20
W.T.I. (1pm est)	22.40-22.45	+0.175
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	198-201	+1.0
Gas Oil	169-171	—
Heavy fuel Oil	118-120	—
Naphtha	180-182	+2.0

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	127.5-128.0	+0.25	127.8
October	125.0-126.5	—	126.5
Dec	125.5-126.5	+0.25	125.7
Feb	127.0-128.0	-0.25	127.7-127.5
April	128.0-130.0	-0.50	—
May	125.5-128.0	-0.25	—
August	125.5-128.0	-0.75	—

Sales: 182 (108) lots of 20 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 97.08p per kg lw (−0.37): GB—Sheep 174.61p per kg est dcw (−32.74): GB—Pigs 73.37p per kg lw (−0.39).

RUBBER

PHYSICALS — The London market opened about unchanged, little business throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 68.50 (68.75p), Aug 68.75p (68.00p). Sept 68.75p (68.00p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 was 260.5 (259.5); and for SMR 20 221.5 (same).

SUGAR

LONDON DAILY PRICE—Raw sugar $161.40 (£99.80), down $6.80 (down £2.80) a tonne for August/September delivery. White sugar $177.60, down $2.40.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	139.2-140.0	141.0	141.8-140.6
Oct	144.0-144.2	145.4-145.8	146.8-144.8
Dec	150.8-151.5	151.8-152.5	152.0-152.0
Mar	158.0-158.8	—	157.8-158.4
May	160.4-161.4	161.2-162.0	162.2-110.4
Aug	164.2-165.4	164.5-166.0	165.4-165.4
Oct	166.6	168.8-167.8	168.0-168.0

Sales: 2272 (3823) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £203.50 (£206.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for July 16: Daily price 6.00 (6.14): 15-day average 6.44 (6.47).

PARIS—(FRFr per tonne): Oct 1105/1110; Dec 1132/1145; Mar 1180/1190; May 1210/1225; Aug 1245/1255; Oct 1280/1300.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Aug	171.00	—	173.25-70.25
Sept	173.25	—	174.75-72.25
Oct	175.50	—	176.25-74.55
Nov	177.25	—	178.00-75.75
Dec	179.00	—	179.25-78.75

Turnover: 4986 (—) lots of 100 tonnes.

US MARKETS

VERY AGGRESSIVE trade buying in crude oil futures was sufficient to overcome heavy fund liquidation, reports Drexel Burnham Lambert. Continued concerns over the situation in the Middle East kept the energy futures steady throughout the day. The precious metals fluctuated according to the fortunes of the US dollar, on balance easing as local and trade selling touched off commission house stops. Copper eased on fund and mixed liquidation despite trade buying. A report that Brazil may reopen registrations prompted a short-covering rally in coffee, following earlier commission house buying. Speculative liquidation eased cocoa before the trade emerged as a buyer, prompting short-covering. Sugar eased on local selling, but trade buying pared losses. Trade selling prevented any rally in cotton. The strength of the dollar also weighed on the grains and soyabean complex. Forecasts for further rains over the weekend added to bearish sentiment. Professional selling was noted in the corn and wheat, while in soyabeans, bear spreading by commercial traders was the main feature. In the meats, cattle futures moved quickly to limit down as major chart points were breached, this despite good fundamentals. The weakness in cattle prompted sympathetic selling in the hogs and pork bellies—the latter was limit up at one stage.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	73.50	74.00	73.50	73.50
August	73.00	73.50	—	—
Sept	72.50	72.95	72.50	72.50
Dec	71.75	72.10	71.75	71.75
Jan	69.65	70.00	—	—
Feb	—	—	—	—
March	[illegible]	[illegible]	—	—

COCOA 10 tonnes, $/tonnes [illegible]

COFFEE "C" 37,500 lb, cents/lb [illegible]

COPPER 25,000 lb, cents/lb [illegible]

COTTON 50,000 lb, cents/lb [illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels [illegible]

GOLD 100 troy oz, $/troy oz [illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	56.70	56.50	57.00	55.85
Sept	57.30	58.25	57.70	56.30
Oct	58.00	57.05	58.25	57.20
Nov	58.90	57.80	58.90	58.10
Dec	59.50	58.65	59.80	58.75
Jan	60.00	59.20	60.20	59.25
Feb	59.85	58.45	59.90	59.60
March	58.05	57.70	58.05	58.00
April	57.00	56.65	57.00	57.00

ORANGE JUICE 15,000 lb, cents/lb [illegible]

PLATINUM 50 troy oz, $/troy oz [illegible]

SILVER 5,000 troy oz, cents/troy oz [illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb [illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lbs [illegible]

LIVE HOGS 30,000 lb, cents/lbs [illegible]

MAIZE 5,000 bu min, cents/56lb-bushel [illegible]

PORK BELLIES 38,000 lb, cents/lb [illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel [illegible]

SOYABEAN MEAL 100 tons, $/ton [illegible]

SOYABEAN OIL 60,000 lb, cents/lb [illegible]

WHEAT 5,000 bu min, cents/60lb-bushel [illegible]

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 763.50 (776.00) cents per troy ounce. New York tin 296-306 (295-304) cents per pound.

WORLD STOCK MARKETS

NEW YORK

WALL STREET

Blue chips steadily higher

STOCKS moved steadily higher on Wall Street yesterday, with much of the strength in Blue Chips.

By 1 pm the Dow Jones Industrial Average was up 20.41 to 2,517.38, making a rise of 66.17 on the week, while the NYSE All Common index, at $176.33, rose 63 cents on the day and $3.18 on the week. Rises led falls by a three-to-two margin in a volume of 157.09m shares.

Analysts say the market is being driven up by a flow of higher than expected earnings reports.

Traders say the market is also gaining on a surge in the dollar against the yen. Futures trading in energy contracts was nervous with prices little changed, easing inflation concerns, brokers said.

Guy Courtney, senior Vice President at David A. Noyes & Co in Chicago, says the bullish phase of the market is far from over.

He says this market has so much room on the upside an it continues to be fuelled by sideline money.

Courtney says the breadth of the market is good with strong leadership and "there is nothing out there on the horizon that says we have a problem coming up."

Philip Morris further advanced $3 to $96¾—it plans to buy back 10m shares.

MCA were active and up $2¼ to $60 on continuing rumours of a possible takeover attempt, brokers said.

ATT, the most active issue, firmed another $⅛ to $31⅞—it reported record post-breakup earnings.

RJR Nabisco rose another $1⅛ to $50 on its strong second quarter earnings.

Closing prices for North America and Canada were not available for this edition.

THE AMERICAN SE Market Value index put on 0.23 to 353.32, for a rise of 6.53 on the week. Volume 13.93m shares.

CANADA

Stocks slipped slightly lower in very active midday trading.

The Toronto Composite index lost 4.07 to 3993.97, and Metals and Minerals 8.51 to 3255.92, but Oil and Gas rose 27.86 to 4702.85.

Gold shares weighed on the market as world bullion prices weakened.

Also lower were Bank shares. But **Canadian Imperial Bank of Commerce** edged up $⅛ to $23⅛—it said it will join investment dealer Gordon Capital in forming a merchant bank.

Oil and Gas issues benefited from continued strength in world crude prices.

TOKYO

Easier in thin trade after a firmer dollar, weaker local bond prices and higher worldwide crude oil prices depressed sentiment.

The Nikkei Dow average fell 20.16 to 23,983.45, after earlier climbing to 24,127.23 on the back of strong rises on Wall Street overnight. Declines barely led advances in turnover of 500m (450m) shares.

Securities Houses, Banks, Warehouses, Insurances, Retailers, Rubbers, Real Estates, Constructions, Railways, Minings, Foods and Oils led the retreat.

The dollar's rise against the yen renewed worry that money may leave local stocks for dollarbased investments, brokers said. The same factor also affected the Bond market, which fell on expectations the Bank of Japan may abandon its easy money policy to combat inflation. This triggered sales of stocks in companies with big Bond holdings and debt exposures, such as Financials, Irons, Steels, and Shipbuildings.

Higher crude prices raise production costs in Japan, which imports almost all its oil, and spark inflation fears.

Only export-related issues firmed as the dollar climbed against the yen, brokers said.

"There are fears of inflation—Bonds are falling and the dollar is going up, all the bad incentives are here at once," said a broker at Nomura Securities Co.

"It is a real correcion and I can't see any way out of it if we are saddled with this higher dollar scenario," a broker at Sanyo Securities said.

However, Electricals, Precision Instruments, Autos and Manufacturings gained ground.

HONG KONG

The Hang Seng index picked up 36.31 to a new high of 3,342.13, its fifth consecutive gain.

Brokers noted good buying by overseas fund managers, who switched into Bankings and Utilities from leading Property stocks. Trading was fairly active and turnover was HK$1.67bn (HK$1.56bn).

But **Great Eagle** fell 10 cents to HK$3.225 on market speculation about a share placement to finance its recent property purchases worth nearly HK$1bn.

Newly listed **Mansion House Securities** offered at HK$1.18, ended HK$1.50 against the day's high of HK$1.70.

SINGAPORE

Late buying interest helped prices to rise across the board in active trading. The Straits Times Industrial Index rose to another record high of 1,391.87, up 11.16 from Thursday's record 1,380.71.

Total turnover 68.9m (67.3m) shares, with **Faber Merlin**, up ½ cent at 87½ cents, the most active stock on 4.1m shares. **JC-MPH** gained 10 cents to S$1.57 on 3.3m shares and **Mount Pleasure** rose 5½ cents to S$91½ on 2.4m shares.

Singapore Blue Chips and Bankings moved up on strong demand by both local and foreign institutions following news that **United Overseas Bank**, up 50 cents to S$7.05, was acquiring **Industrial and Commercial Bank** shares, up 30 cents to S$56.0.

UOB said it agreed to acquire 14m ICB shares on a share swap of seven UOB shares for every eight ICB shares and would offer the same terms for the remaining 36m shares.

AUSTRALIA

Australian share prices rose in heavy turnover after Gold, Copper and Oil futures prices climbed in New York on Thursday.

Some large orders from overseas investors for lines of stock in Australian Resources issues such as **Western Mining**, up 46 cents to A$8.46, and **Broken Hill Proprietary**, up 25 cents to A$10.40, boosted the market and sent the main stock-price index to record levels because these stocks are heavily weighted in the index.

Thursday's drop in Australian market interest rates also helped lift stocks. On Friday, market rates consolidated after the decline, while some Banks cut their prime interest rates after Stock Markets closed.

The All Ordinaries index was 15.4 up at a record 1975.4 and the All Industrials 9.8 up at 2827.5. The Gold Index gained 77.5 to 3595.1 and the All Resources 19.4 to 1323.6. Metals and Minerals rose 15.7 to 1270.1 and Oil and Gas 16.6 to 1027.4.

Turnover was a very heavy 166.09m shares worth A$385.94m, and rises outnumbered falls by three-to-two.

GERMANY

Higher in active trading, boosted by strong foreign demand amid a more than one pfennig rise in the dollar, technical support and bullish sentiment.

Dealers said an **OECD** forecast at a 1½ per cent rise in West German GNP in 1987 and a 2 per cent gain in 1988 also helped share prices. Sentiment was additionally buoyed by Wall Street's third consecutive high Thursday.

The Commerzbank index of 60 leading shares, calculated at midsession, rose 11.5 to 1,960.7.

Chemicals and Autos led other sectors higher. **BASF** put on DM 5.70 to 315.40. **Hoechst** rose DM 3.20 to 321.10, supported by some share analysts' favourable reassessment of its acquisition of Celanese.

CANADA

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

Indices

NEW YORK

DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

CURRENCIES & MONEY

FOREIGN EXCHANGES

Dollar demand continues

THE DOLLAR continued to improve in currency markets yesterday, finishing at its best for four months. Further demand for the US unit, notably from Japan, pushed the rate through Y152.50 and DM 1.8500 as the recent bullish trend continued. News of a 0.7 per cent fall in US housing starts was completely ignored.

The extent of the day's rally was probably curtailed only by fears of central bank intervention. Dealers were puzzled by the dollar's strength. Its recovery from disappointing trade figures certainly created a favourable impression but the market's enthusiasm seemed to be based more on sentiment than fact.

With the dollar's bullish attitude prevailing, there seemed little doubt about adequate overseas participation at next month's US Treasury refunding operation.

The dollar closed at DM 1.8585 up from DM 1.8370 and Y152.75 compared with Y150.50. Elsewhere it rose to SFr 1.5475 from SFr 1.5290 and FFr 6.1850 from FFr 6.1150. On Bank of England figures, the dollar's exchange rate index rose from 102.9 to 103.7.

Sterling finished on a slightly weaker note but only after it seemed that the Bank of England had been intervening in a modest way to stop the pound from pushing through the DM3.00 level. Economic fundamentals provided sterling with a solid base and its performance in the face of a strong dollar was encouraging.

Against the US unit it slipped to $1.6085 from $1.6310 and DM2.99 compared with DM2.9950. It rose against the yen to Y245.75 from Y245.50. Elsewhere it finished at SFr2.49 from SFr2.4950 and FFr 9.9475 from FFr 9.9750. On Bank of England figures, the pound's exchange rate index fell to 73.2 from 73.4 at the opening and 73.5 on Thursday.

D-MARK—Trading range against the dollar in 1987 is 1.9365 to 1.7690. June average 1.8186. Exchange rate index 146.5 against 148.7 six months ago.

There was no intervention by the Bundesbank when the dollar was fixed higher at DM1.8466 in Frankfurt from DM1.8333. Continued demand, notably from Japan, kept the dollar firm ahead of the weekend. News of a 0.7 per cent fall in US housing starts had no effect whatsoever. Nor was there much reaction to figures released showing a DM2.4bn decline in West German net currency reserves.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 210.7 against 209.2 six months ago.

Further demand pushed the dollar firmer in Tokyo. It touched a four-month high of Y152.05 before profit-taking brought it back to a close of Y151.50, still up from Y150.85 in New York and Y149.60 in Tokyo on Thursday. The fresh wave of buying appeared to carry a largely speculative element following an impressive recovery from the effects of disappointing US trade figures.

The dollar's continued strength should ensure adequate overseas participation at next month's US refunding auction but some analysts were still stressing the likelihood of a downward turn later this year unless significant progress is seen in reducing the trade and budget deficits.

£ IN NEW YORK

July 17	Latest	Previous Close
£ Spot	1.6180-1.6190	1.6285-1.6295
1 month	0.32-0.31 pm	0.32-0.31 pm
3 months	0.85-0.82 pm	0.86-0.84 pm
12 months	2.67-2.57 pm	2.60-2.52 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 17	Previous
8.30 am	73.4	73.4
9.00 am	73.4	73.3
10.00 am	73.4	73.3
11.00 am	73.4	73.4
Noon	73.4	73.3
1.00 pm	73.4	73.3
2.00 pm	73.4	73.3
3.00 pm	73.3	73.4
4.00 pm	73.2	73.5

CURRENCY RATES

July 17	Bank rate %	Special Drawing Rights*	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for July 16: 1.68519

CURRENCY MOVEMENTS

July 17	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 17	£	$
[illegible]	[illegible]	[illegible]
Kuwait	0.45620-0.45670	0.28310-0.28320
Luxembourg	61.90-62.00	38.45-38.55
Malaysia	4.1105-4.1210	2.5465-2.5515
Mexico	2238.85-2241.15	1388.00-1389.00
N. Zealand	2.6655-2.6705	1.6480-1.6500
Saudi Ar.	6.0425-6.0475	3.7495-3.7505
Singapore	3.4175-3.4245	2.1220-2.1240
S. Af. (Cm)	3.3230-3.3390	2.0685-2.0725
S. Af. (Fn)	5.3010-5.4810	3.2785-3.3900
Taiwan	50.35-50.60	31.05-31.15
U.A.E.	5.9180-5.9235	3.6725-3.6735

*Selling rate

POUND SPOT—FORWARD AGAINST THE POUND

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6080-1.6250	1.6080-1.6090	0.34-0.31c pm	2.42	0.90-0.85 pm	2.18
Canada	2.1213-2.1437	2.1215-2.1225	0.15-0.05c pm	0.57	0.31-0.19 pm	0.47
Netherlands	3.36-3.37½	3.36-3.37	1¼-1c pm	4.01	3¼-3 pm	3.71
Belgium	61.90-62.15	61.90-62.00	18-13c pm	3.00	44-35 pm	2.55
Denmark	11.33¾-11.37¼	11.33¾-11.34¾	¼-1 ore dis	-0.66	2⅞-3⅛ dis	-0.97
Ireland	1.1140-1.1200	1.1165-1.1175	0.04-0.05p dis	-0.05	0.08pm-0.15 dis	-0.13
W. Germany	2.98½-2.99¼	2.98½-2.99½	1½-1¼pf pm	5.52	4-3⅝ pm	5.10
Portugal	231.20-234.02	231.20-232.15	104-154c dis	-6.68	374-457 dis	-7.17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 62.10-62.20. Six-month forward dollar 1.59-1.54 c pm. 12-month 2.72-2.62c pm.

Correction for July 15 US Spread 1.6110-1.6395

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.50-38.70

EURO-CURRENCY INTEREST RATES

July 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 7⅞-8 per cent; three years 8¼-8⅜ per cent; four years 8⅝-8¾ per cent; five years 8¾-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 17	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.069	6.545	12.17	1000.	40.48	10.13	13.69	8798.	8.635	252.1
F Fr.	1.005	1.617	3.006	247.0	10.	2.503	3.383	2173.	2.133	62.28
S Fr.	0.402	0.646	1.201	98.69	3.995	1.	1.351	868.3	0.852	24.88
H Fl.	0.297	0.478	0.889	73.03	2.956	0.740	1.	642.5	0.631	18.41
Lira	0.463	0.744	1.383	113.7	4.601	1.152	1.556	1000.	0.981	28.65
C $	0.471	0.758	1.409	115.8	4.688	1.173	1.586	1019.	1.	29.19
B Fr.	1.614	2.596	4.826	396.7	16.06	4.019	5.432	3490.	3.425	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

Better tone but rates steady

INTEREST RATES showed little overall change in London yesterday. Conditions proved to be a little more relaxed even though the Bank of England forecast a sizeable shortage. Sterling's relative strength in the face of a rising dollar provided some comfort although there was little talk of an early cut in base rates.

The authorities' plans to alleviate the shortage caused by BAA share applications added to the better tone while reports of intervention in the foreign exchange market to hold down the value of sterling meant that additional funds were likely to work their way into the system.

UK clearing bank base lending rate 9 per cent since May 8

Three-month interbank money was unchanged at 9 3/16-9 1/16 per cent. Weekend money opened at 9⅛-9⅛ per cent and eased to a low of 6 per cent before late demand pushed rates up to 10 per cent.

The Bank of England forecast a shortage of around £750m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £409m an a rise in the note circulation a further £310m. In addition banks brought forward balances £165m below target. These were partly offset by Exchequer transactions which added £115m.

The forecast was revised to a shortage of around £800m and the Bank gave assistance in the morning of £328m through outright purchases of £51m of eligible bank bills in band 1 at 8⅞ per cent and £277m in band 2 at 8⅞ per cent.

Further assistance was given in the afternoon of £471m through outright purchases of £103m of eligible bank bills in band 1 at 8⅞ per cent and £170m in band 2 at 8⅞ per cent. In band 3 it bought £80m of Treasury bills and £118m of eligible bank bills all at 8⅞ per cent. Late help came to £50m, making a total of £849m.

The recent lack of direction was reflected in the average rate of discount at the weekly Treasury bill tender, falling by just 0.0151 per cent to 8.7823 per cent. The £400m of bills on offer attracted bids of £1,136m against £1,541m for a similar amount the previous week and all bills offered were alloted. The minimum accepted bid was £97.81 against £97.805 and bids at that level were met as to about 92 per cent and above in full compared with 87 per cent.

Next week a further £400m of bills will be on offer, replacing a similar amount of maturities.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 17) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 13/16	offer 6 15/16	bid 6 15/16	offer 7 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

July 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.80-3.90	3.70-3.85	3.70-3.85	3.70-3.85	3.80-3.95	5.0
Paris	7-7⅛	7 3/16-7 5/16	7⅝-7⅞	7¼-7⅞	8⅛-8¼	7½
Zurich	⅞-1⅛	3⅞-3⅞	—	3⅞-3⅞	—	—
Amsterdam	5 3/16-5 5/16	5 3/16-5 5/16	—	5 3/16-5 5/16	—	—
Tokyo	3.15625	3.53125	—	3.71875	—	—
Milan	10¼-10⅝	10¼-10⅝	—	10¼-11¼	—	—
Brussels	6.30	6¼-6½	—	6½-6⅝	—	—
Dublin	9¼-9½	9¼-9½	9⅜-9⅝	9½-9¾	10-10¼	—

LONDON MONEY RATES

July 17	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-6	9 3/16-9	9⅛-8 13/16	9 3/16-9 1/16	9 3/16-9 1/16	9⅛-9¼
Sterling CDs	—	—	9 1/16-8 13/16	9 1/16-8 15/16	9⅛-9	9 3/16-9⅛
Local Auth'rity Deps.	8⅞	8⅞	8 13/16	9	9 1/16	9⅛
Local Authority Bonds	—	—	9 1/16	9 1/16	9½	9½
Discount Mkt Deps.	9½-6	9	8¾	8½	—	—
Company Deposits	9¼	9¼	9¼-9⅛	9 1/16	9⅛	9⅛
Finance House Deposits	—	—	9⅛	9 1/16	9	9⅛
Treasury Bills (Buy)	—	—	8⅞	8 13/16	—	—
Bank Bills (Buy)	—	—	8 13/16	8 13/16	8 13/16	—
Fine Trade Bills (Buy)	—	—	9 13/16	9 1/16	9 13/16	—
Dollar CDs	—	—	6.70-6.65	6.75-6.70	6.90-6.85	7.35-7.30
SDR Linked Deposits	—	—	5 13/16-5 11/16	6 1/16-5 15/16	6 3/16-6 1/16	6 5/16-6 3/16
ECU Linked Deposits	—	—	6¼-6⅛	6⅞-6¾	6 13/16-6 11/16	7⅛-7

Treasury Bills (sell); one-month 8 13/16 per cent; three-months 8 13/16 per cent; Bank Bills (sell): one-month 8 13/16 per cent; three months 8 13/16 per cent; Treasury Bills; Average tender rate of discount 8.7823 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¾ per cent; three-six months 9 per cent; six-nine months 9¼ per cent; nine-12 months 9¼ per cent; Under £100,000 8 per cent from July 16. Deposits withdrawn for cash 5 per cent.

LONDON STOCK EXCHANGE

Technical setback in equity sector

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
Jul 27	Aug 6	Aug 7	Aug 17

* New time dealings may take place from 9.00 am two business days earlier.

The UK stock market began to suffer its expected technical shakeout yesterday as its almost unbroken two week advance was checked by signs of overheating. However, prices closed well above the day's lows, and speculative enthusiasm was fuelled in the financial services sector by Trustee Savings Bank's (TSB) bid worth £222m for Hogg Robinson, the insurance broker.

With the pound easier in the face of a rebounding US dollar, Government bonds had a calmer session, moving higher in late dealings when the authorities announced a £1bn tender issue of 8 per cent Treasury 1991—leaving the long end untapped.

The FT-SE 100 index closed 14.7 down at 2428.7, having rallied from a fall of 24 points at mid-session. The FT Ordinary Index at 1916.9 lost 9.3.

Losses were suffered across the broad range of the market, but often reflected "passing the parcel" trading between market makers.

The professional trading houses were braced for a setback, after the signs of overheating shown in the previous session. The overbought/oversold Indicator, followed by the professionals, was signalling a correction of perhaps 10 per cent in equities in the weeks ahead.

Also unsettling the market at first were rumours that Imperial Chemical Industries might try for a rights issue, although most analysts agree that such a move is unlikely until after the chemical leader discloses its second quarter trading figures at the end of the month.

London also turned somewhat negative on oil prices, and both British Petroleum and Shell had a weak session despite the firm opening in New York.

TSB's move for Hogg Robinson re-opened the questions overhanging the financial sector as deregulation takes hold. Shares in Morgan Grenfell strengthened as Dewey Warren, Mr Holmes a Court's investment vehicle, disclosed plans to substantially increase its Morgan stake.

Government bonds trod water for most of the session as sterling drifted lower. While still confident that foreign investors will appear, Gilts have taken a cautious view of the pound's latest improvement.

News of the tap brought a swift, but mistaken reaction in the LIFFE futures sector, which was quickly corrected as dealers realised that the long end remained untapped. Treasury stocks then edged higher, closing a net ¼ higher in scrappy turnover.

There was something of a shakeout in the more speculative equities as some of the wilder rumours proved unfounded.

GEC shares provided one of the market's stars, moving up by 10 to 247p, close to the 12 month peak. But rumours that Lord Weinstock's electrical engineering group was about to launch a US acquisition—basically a re-run of old tales—were well wide of the mark. A leading US marketmaker in London caught its rivals wrong-footed when it bid for GEC stock. By the end of the session, 21m shares had traded.

Chase Manhattan Securities put clients into GEC after its analysts returned from a company visit on Thursday in bullish mood. Chase now believes GEC will make £770m pre-tax this year, against last year's £668m.

Bejam, at 262p lost 22 of Thursday's speculative gain of 56 as the strongly-rumoured bid for the company failed to materialise; however, a bid in the the region of 330p per share is still thought to be in the offing with the list of likely suitors still headed by Iceland Frozen Foods. Other names bandied about include Hazlewood, Associated British Foods and Kwik Save, the last-named mentioned on thoughts that the company may announce an offer in attempt to become bid-proof itself. Little heed was paid to rumours that Mr James Gulliver might move from Argyll to Bejam.

Meanwhile, poultry processors Bernard Matthews came in for a fair amount of speculative attention and the share price rose 22 to 195p on revived rumours about a possible bid from Heinz or Unilever.

In a series of moves yesterday Robert Holmes à Court's 42 per cent owned Dewey Warren triggered a number of major developments in the financial sector. Initially Dewey announced its intention of acquiring a 5 per cent stake in merchant bank Morgan Grenfell via a proposed rights issue. Subsequently, TSB launched a 600p a share cash bid for Hogg Robinson, the insurance broker and intends to sell the insurance broking arm of Hogg to Dewey Warren for £116m in cash. The upshot of the flurry of activity was that Hogg shares spurted 33 to 622p, Dewey Warren were suspended at 280p. TSB jumped 11 to 95p after a turnover of shares and Morgan Grenfell rose 53 to 540p. Dealers reported strong demand for Hogg shares on rumours of an increased counter bid.

Elsewhere in Merchant banks, Kleinwort jumped 17 to 623p, while Hambros put on 12 to 339p. Hill Samuel, waiting the outcome of talks with Union Bank of Switzerland, hardened 8 to 689p. Schroders, widely regarded as the next bid target in the merchant bank sector, jumped ½ to £15¼.

The clearers were overlooked as merchant banks and insurances took pride of place in the financial sector. NatWest and Lloyds dipped around 6 to 783p and 434p apiece while Barclays eased 4 to 645p. Lloyds start the clearers interim reporting season next Friday. The bid for Hogg Robinson triggered strong demand for other brokers where CE Heath jumped 24 to 554p. PWS, a prime bid target according to dealers, spurted 21 to 410p. Stewart Wrightson jumped 21 to 688p.

Light profit-taking trimmed some of the recent sizeable gains in the Building sector. Blue Circle eased to 549p prior to closing 12 off at 550p, while Tarmac gave up 14 at 324p. Redland were 4 off at 565p and RMC shed a similar amount to 589p. Taylor Woodrow, buoyed in recent days by property acquisition news, came back 13 to 533p, but John Mowlem emerged from a recent quiet spell to close 17 higher at 536p. Old takeover favourite Ibstock Johnsen firmed 2½ to 195½p, while Anglo United picked up 4 at 66p following acquisition news. Burnett and Hallamshire, an outstanding performer this week on news that a stake had changed hands, eased 2½ to 38p as the company attempted to diffuse speculation by stating that there is no foundation in reports that it has sold its interests in any of its subsidiaries or related companies.

ICI, held in check by reports that a sizeable American seller was overhanging the market, eased back gradually to close ⅛ lower at £15⅛; the interim figures are due on July 30. Elsewhere in the Chemical sector, Sutcliffe Speakman attracted further buying interest at 160p, up 2, making a rise of 22 on the week.

Blacks Leisure, a moribund camping equipment retailer before last October's rescue by a group headed by Mr Bernard Garbacz, closed unchanged at 47p following news of an agreed bid for Miss Sam, the women's and children's wear group, and the acquisiton of S. Eker, a London-based textile converter and merchant. Shares of Miss Sam, buoyant on Thursday following the announcement of a bid approach, leapt 45 more to 237p yesterday following the terms from Blacks which value the group at around £45m.

British Telecom turned easier and settled 6½ off at 294p after a turnover of 6.7m shares. Amstrad performed well and settled 9 higher at 191p while Ferranti, boosted by a recent buy recommendaton by Morgan Grenfell, rose 6 to 152p, and Plessey, still unsettled by the chairman's remarks at the annual meeting, held on Thursday, drifted back 2½ to 223½p. STC, where US group ITT is considering selling its 24 per cent stake, fell 8 to 321p. United Scientific continued to reflect the sale of its loss making subsidiary Rollel put on 11 to 360p.

Hawker Siddeley, a strong market earlier in the week on BTR takeover hopes, ran into profit-taking and reacted to close 12 down on the day at 602p. Elsewhere in the Engineering sector, Hampson Industries contrasted with a fresh gain of 8 at 101p in reponse to the bumper preliminary figures. Demand persisted for Davy Corporation, up 7 at 234p, while speculative activity left Benjamin Priest 11½ to the good at 60¼p. Hopkinsons, th subject of a recent BZW buy recommendation, put on 11 to 204p. Thomas Robinson, reflecting the proposed acquisition of Hambro Machinery for a consideration of approximately £5m, advanced 9 to 619p. VSEL Consortium rose 45 to 611p in a limited market.

The majority of leading Foods turned easier reflecting light profit-taking. Tate and Lyle, a strong market in recent days reflecting a Warburg recommendation, eased 9 to 909p. Cadbury Schweppes softened a penny to 285p, but market makers noted increased activity in Rank Hovis McDougall late in the session and the price recovered an early fall of 3 to close a shade better at 343p. United Biscuits gained 9 to 352p reflecting renewed European buying on revived bid hopes. Bassett put on 30 to 298p on country buying. Dealings in Alpine Soft Drinks were suspended at 63p, up 7, peding an announcement.

Final losses in the miscellaneous industrial leaders were usually limited to a few pence. Beecham, however, the subject of a recent "chart buy" signal, edged up 2 further to 587p.

British Airways, down 4 at 166p, turned easier amid growing fears that the agreed merger with the British Caledonian Group may be referred to the Monopolies and Meregers Commission. Trading conditions in BA were much quieter, some 5.6m shares changing hands compared with 23m on Thursday. Rank Organisation dipped 38 to 782p on further consideration of th interim figures, while English China Clays gave up 13½ to 527p amid reports of a attempted placing of some 3m shares at around 531p. Profit-taking clipped 28 from Charles Baynes at 235p while acquisition news failed to help Kenyon Securities at 520p, down 10. United Packaging, in contrast, responded afresh to news of the bid approach with a further rise of 15 at 215p. US favorite Reuters were noteworthy for a gain of 16 at 906p, but British Aerospace, down a few pence more at 524p, remained a depressed market after a recent downgraded profits forecast from Paribas Quilter Securities. Press mention stimulated interest in Pavion, 8 to the good at 44½p.

Motor sectors were again highlighted by strength in Jaguar which shrugged off a downgrading by Warburg Securities, the investment house, and advanced 13 more to 594p reflecting buoyant sales and production figures for the group's saloon and sports models in the first half of the current year. Motor Distributors, on the other hand, encountered profit-taking after establishing some sizeable gains recently. Recent favourie T. Cowie, wanted following the deal with Heron, gave up 10 to 928p, a decdline which also affected seniment in Trimco, finally 8 off at 75p. Components also gave ground with Airflow Streamlines, supported throughout th week on vague takeover hopes, closing 22 lower at 231p—still, however, up 66 on the week.

Haymarket Publishing jumped 75 to 505p on the agreed acquisition of Johansen Publicatons. Among advertising issues Geers Gross advanced 13 to 97p, while TMD were 24 higher at 239p.

Leading Properties turned easier as recent takeover speculation subsided. Land Securities eased back 14 to 576p, while MEPC, still underpinned by recent reports of an overseas bid for the company, were 9 off at 562p. Greycoat slipped 7 to 465p and Hammerson A were 10 off at 640p. Elsewhere, Marler Estates jumped 2 points to £12¾ on the announcement that Glen International had sold its 29.86 per cent holding in the the company; the purchaser is Mr David Thompson, the ex-chairman of Hillsdown. Bestwood touched 170p prior to closing 22 higher at 165p; Mr Terry Ramsden of Glen International has sold his entire stake in the company. Regentcrest rose 18 to 271p following details of the acquisition of Coutts Corporate Finance for £5.67m.

Horrace Clarkson, the shipbroking, insurance zroking and financial services group spurted 17 to 160p on the disclosure that funds managed by the Framlington Group now control 16 per cent of the equity capital.

Among Textiles, Seet stood out with a gain of 14 at 190p. John Foster, helped by the chairman's forecast at the annual meeting of pre-tax profits in excess of £250,000 in the six months ending August, rose 4 to 151p.

Vague chatter of a possible counter-bid failed to inspire further speculative excitement in Mercantile House which settled 2 off at 532p—a discount of 8 on the agreed share-exchange offer from Mr John Gunn's British and Commonwealth, 3 up at 567p. Elsewhere in Financials, Close Brothers, the merchant banking and investment concern, hardened 10 to 290p in the wake of the proposals to raise £24m via a rights issue on a 1-for-4 at 205p basis together with a placing of 4.5m shares at 250p with Caledonia Investments—a move which will increase the latter's stake in Close to 22.3 per cent.

The energy sector, an outstanding performer recently following a bout of Japanese buying interest and strong domestic support in the wake of the buoyant trend in crude oil prices, turned easier on persistent selling by securities house Hoare Govett. British Gas, which peaked at 200p earlier in the week, settled 7 down at 193p while Britoil were finally 11 down at 337p. Enterprise, a strong market recently on talk of an oil discovery east of the Shetlands, ran back 11½ to 327½p, but LASMO, responding to the encouraging gas find off the coast of Australia, moved up 6½ to 374½p.

News of the increased reserves in the Paris Basin lifted Triton 12 to 244p.

Profit-taking lowered Oliver Resources 8 to 77p.

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 15	July 14	July 13	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	91.20	91.12	90.95	90.70	90.74	88.88	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.78	98.51	98.29	98.30	98.29	95.92	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1916.9	1926.2	1908.6	1892.6	1877.8	1295.4	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	429.7	423.0	414.6	413.4	405.2	185.7	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.01	2.99	3.02	3.05	3.08	4.25				
Earnings Yld.%(full)	7.29	7.25	7.32	7.40	7.46	10.25				
P/E Ratio (net) (*)	16.85	16.96	16.78	16.60	16.47	11.86				
SEAQ Bargains (5 pm)	57,774	61,215	61,528	54,795	62,414	—				
Equity Turnover (£m)	—	2272.69	2458.30	1984.11	1799.50	616.78				
Equity Bargains	—	73,910	72,719	69,093	77,624	20,281				
Shares Traded (ml)	—	—	965.5	827.0	964.3	304.9				

S.E. ACTIVITY

Indices	July 16	July 15
Gilt Edged Bargains	166.1	168.2
Equity Bargains	478.9	471.2
Equity Value	4593.7	4968.9
5-Day Average		
Gilt Edged Bargains	142.3	131.1
Equity Bargains	471.8	457.4
Equity Value	4131.0	3986.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1925.0	1914.0	1914.2	1909.7	1912.4	1914.2	1917.1	1915.5

Day's High 1925.9 Day's Low 1908.9. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. SE Activity 1974. *Nil=16.54.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*467)	390	80	90	102	0¼	2	5
	420	50	65	77	1	9	12
	460	11	35	53	4	20	27
Brit. Airways (*166)	140	27	32	42	0½	3	8
	160	6	20	28	2	12	17
	180	1¼	10	20	15	21	26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*378)	330	52	63	77	3	8	15
	360	27	43	55	9	18	23
	390	10	27	40	25	33	38
Ladbroke (*454)	400	55	68	—	2	7	—
	420	—	—	65	—	—	15
	445	23	41	—	10	20	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 17. Total Contracts 55,131. Calls 42,373. Puts 12,758. FT-SE Index Calls 1,092. Puts 1,524. *Underlying security price.

Traded options

Although below Thursday's lively levels, business in traded options still amounted to 55,131 contracts, made up of 42,373 calls and 12,758 puts. GEC held the limelight with 9,312 calls done—2,768 of which were struck in the October 220's—in the wake of an encouraging circular from Chase Manhattan Securities. GEC also attracted 2,226 puts. Elsewhere, British Gas recorded 4,161 calls, while British Airways and Hanson Trust were also in demand and contributed 2,758 and 3,474 calls respectively. TSB recorded 2,638 calls, 1,800 in the July 90's, and 984 puts following the bid for Hogg Robinson.

Traditional Options

- First dealings July 6
- Last dealings July 17
- Last declaration Oct 8
- For Settlement Oct 19

For rate indications see end of London Share Service

Stocks to attract money for the call included Wheway, J. Israel, Polymark, Rotaprint, Pavion, Hawtin, Tuskar, Bockware, Inoco, Common Brothers, Eagle Trust, Bula Resources, Astra Industrial, Control Securities, Abaco, Equity and General, Astra Holdings, Town Centre, Mountleigh, Benjamin Priest, Property Trust, Central and Sheerwood, Norfolk Capital, Stormguard, CI Group, Bulgin A, Rexmore, JE England, B. Matthews, Miss Sam, Julia Mines, Burndene and Scottish and Newcastle. A put was arranged in Platignum, while double options were transacted in Common Bros, Ossory and Norfolk Capital.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (367)

BRITISH FUNDS (4), AMERICANS (8), CANADIANS (3), BANKS (7), BREWERS (4), BUILDINGS (17), CHEMICALS (7), STORES (11), ELECTRICALS (29), ENGINEERING (22), FOODS (11), HOTELS (4), INDUSTRIALS (71), INSURANCE (5), LEISURE (8), MOTORS (2), NEWSPAPERS (5), PAPERS (9), PROPERTY (21), SHIPPING (3), SHOES (1), SOUTH AFRICANS (2), TEXTILES (7), TRUSTS (59), OILS (12), PLANTATIONS (2), MINES (9).

NEW LOWS (1)

OVERSEAS TRADERS (1) GN Great Nordic.

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DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ◆ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

Corporation and County Stocks
No. of bargains included 8

Greater London Council 6¾% Stk 90/92 - £90¾◆ 3◆
Birmingham Corp 3% Stk 1947(or after) - £25 (13Jy87)
3% (1902) 1932(or after) - £25 (10Jy87)
3½% Stk 1946(or after) - £27 (14Jy87)
Hull Corp 3½% Stk(1st Iss) - £25 (15Jy87)
Manchester Corp 1891 3% Red Stk 1941(or after) - £25 30 (15Jy87)
4% Cons Irrd Stk - £34½ 5½ (10Jy87)
Salford Corp 5½% Red Stk 86/88 - £96

UK Public Boards
No. of bargains included 1

Agricultural Mortgage Corp PLC 8% Deb Stk 82/87 - £97 (13Jy87)
6¾% Deb Stk 92/94 - £82 (10Jy87)
6½% Deb Stk 85/90 - £91
7¼% Deb Stk 91/93 - £90½ (14Jy87)
9¾% Deb Stk 85/87 - £99 (14Jy87)
10¼% Deb Stk 92/95 - £101 (15Jy87)
Clyde Port Authority 4% Irrd Stk - £36 (15Jy87)
Forth Ports Authority 3¾% Funded Debt - £30 (13Jy87)
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £47½ (14Jy87)
Port of London Authority 6½% Reg Stk 87/90 - £89½ (14Jy87)

Foreign Stocks, Bonds, etc-(coupons payable in London)
No. of bargains included 9

AS Eksportfinans 9% Nts 1990 (Without Gold Warrants) - $100¾◆ 101½◆
ASDA-MFI Group PLC 8¾% Bds 2002 - £93½ ½ (15Jy87)
4¾% Cnv Bds 2002(Br£1000&5000) - £131.15 (10Jy87)
Australia(Commonwealth of) 10¾% Bds 1987 - £102¾ (14Jy87)
BET PLC 6½% Cnv Bds 2001 - £141¾
BTR PLC 4¾% Cnv Sub Bds 1995(BrEC1000&10000) - EC118¾ (14Jy87)
Barclays Overseas Inv Co BV 6% Gtd Bds 1995 (BrY1000000) - Y101½ (15Jy87)
British Land Co PLC 7½% Cnv Bds 2002 (Br£1000&5000) - £127½◆
Burton Group PLC 4¾% Cnv Bds 2001 (Br£1000&5000) - £115½
Commerzbank Overseas Finance NV 8¾% Nts 1992 - £101 (14Jy87)
Consolidated Gold Fields PLC 6¾% Cnv Subord Bds 2002(Br£1000&5000) - £118¾ (15Jy87)
DRG PLC 6¾% Subord Cnv Bds 2002 - £109
Denmark(Kingdom of) 11¾% Bds 1994 - £112 (15Jy87)
Finland(Republic of) 10¾% Bds 1987 - £102¾ (14Jy87)
Guinness Peat Group PLC Dep Warrants to sub for Ord - 26½ (14Jy87)
Hanson Trust PLC 10% Bds 2006 (Br£5000) - £97¾ (14Jy87)
I.C.I.Finance(Netherlands)NV 6½% Gtd Cnv Bds 1999 - £182 (14Jy87)
Imperial Chemical Industries PLC 10% Bds 2003 - £100¾ (14Jy87)
11¼% Bds 1995(Br£5000) - £107¾ (14Jy87)
Inchcape(Bermuda) Ld 6¾% Cnv Gtd Bds 1992 - $191.48 (10Jy87)
6% Cnv Gtd Bds 1995 - $120.08 (14Jy87)
International Bank for Rec & Dev 11¾% Bds 1986 - £101¾
International Stand Electr Corp 11¾% Nts 1989(Br£1000&25000) - £101 (15Jy87)
Investors in Industry Int'l BV 10% Gtd Nts 1993(Br£5000) - £101½ (10Jy87)
12¼% Gtd Nts 1988(Br£5000) - £101¾
Lasmo North Sea PLC 8¾% Cnv Bds 1999 - $130 (13Jy87)
Leeds Permanent Building Society 9¾% Bds 1993 (Br£5000) - £97¾ (10Jy87)
Lonrho Finance PLC 4¾% Cnv Gtd Bds 2001 - $130◆
Lucas Industries Inc 8¼% Cnv Bds 2002 - $123½◆ 4.52◆
Lucas Industries PLC 6½% Cnv Bds 2001 - $178.52 (14Jy87)
MEPC PLC 9¾% Bds 2004(BrFP) - £94¾ ¾ (15Jy87)
Metal Box PLC 6¾% Cnv Subord Bds 2002 - £112¾ ½ ¾ 7.84 (14Jy87)
National Westminster Bank PLC 9% Deposit Nts 1992 - £99 (10Jy87)
National Westminster Finance BV 11¾% Gtd Cap Bds 1992 - $111◆ ¾◆
New South Wales Treasury Corp 10¾% Gtd Bds 1992(Br£5000) - £104¾ (14Jy87)
New Zealand(Government of) 10¾% Nts 1989(Br £5000) - £101¾ (10Jy87)
Next PLC 6¾% Cnv Bds 2002 - £126¾ (14Jy87)
9¾% Nts 1993 - £101½ (14Jy87)
Pacific Dunlop Ld 7% Subord Cnv Bds 1996 - $171.13◆ .44◆ .65◆ .86◆ 4.33◆
Peninsular & Oriental Steam Nav Co 4¾% Cnv Bds 2002 - £111 (10Jy87)
Redland Capital PLC 7¼% Cnv Bds 2002 - £113
Rothmans Int PLC 6¾% Cnv Sub £/DM Bds 1992 - DM224.21◆ 226.2◆
Royal Bank of Canada 10¾% Dep Nts 1991(Br£5000) - £102¾ ¾ (10Jy87)
Saskatchewan(Prov of) 7¾% Nts 1991 - $96¾◆ ¾◆
Scottish & Newcastle Breweries PLC 6¾% Bds 2008 - £83¾
Smith & Nephew Associated Cos PLC 6¾% Cnv Bds 2000 - $192.76 (15Jy87)
Smith(W.H.)& Son(Hldgs) PLC 7¾% Subord Cnv Bds 2002 - £120◆
Sweden(Kingdom of) 8¾% Bds 1994 - £97◆ ¾◆
TNT Overseas Finance NV 8¾% Cnv Gtd Sub Bds 1990 - $188.65 (13Jy87)
Trafalgar House PLC 10¾% Bds 2008 - £99¾ (14Jy87)
Trusthouse Forte PLC 10¾% Nts 1992(With Warrants) - £142 4 (13Jy87)
11¾% Nts 1990(Br £5000) - £103¾ (10Jy87)
Woolwich Equitable Building Society 9½% Nts 1992 (Br£5000) - £98¾ (14Jy87)

Sterling Issues by Overseas Borrowers
No. of bargains included 52

American Brands Inc 12¾% Uns Ln Stk 2009 - £116½◆ ¾◆
American Medical International Inc 9¾% Uns Ln Stk 2011 - £86¾ (14Jy87)
Asian Development Bank 10¾% Ln Stk 2009(Reg) - £104¾ (10Jy87)
Australia(Commonwealth of) 9¾% Ln Stk 2012(Reg) - £95¾ ¾ (14Jy87)
9¾% Ln Stk 2012(Br) - £95¾ (13Jy87)
11¾% Ln Stk 2015(Reg) - £112¾ (14Jy87)
Bank of Greece 10¾% Ln Stk 2010(Reg) - £96¾◆
Caisse Centrale De Cooperation Econ 12¾% Gtd Ln Stk 2013(Reg) - £122¾
Caisse Nationale Des Autoroutes 16% Gtd Ln Stk 2006 - £150¾ ¾
Cigna Overseas Finance NV 12% Uns Ln Stk 2008 - £120¾ (15Jy87)
Credit Foncier De France - £103¾ (15Jy87)
14¾% Gtd Ln Stk 2007(Reg) - £140¾
14¾% Gtd Ln Stk 2007(Br)(£5000) - £140½◆
Denmark(Kingdom of) 13% Ln Stk 2005 - £123¾ ¾
Eaton Finance NV 12¾% Uns Ln Stk 2014(Reg) - £117¾
Electricite de France 12¾% Gtd Ln Stk 2006(Reg) - £123¾
11¾% Gtd Ser Ln Stk 2009/12(Reg) - £117¾
11¾% Gtd Ser Ln Stk 2009/12(Br£5000) - £116¾ (14Jy87)
European Investment Bank 9% Ln Stk 2001 (Reg) - £95¾ ¾ ¾
10¾% Ln Stk 2004(Reg) - £106¾◆
11% Ln Stk 2002(Reg) - £111
Finland(Republic of) 11¾% Ln Stk 2009(Reg) - £113¾
11½% Ln Stk 2009(Br£5000) - £113 (15Jy87)
Hydro-Quebec 12.75% Ln Stk 2015 - £123¾ ¾ (10Jy87)
15% Ln Stk 2011 - £140¾ (13Jy87)
Inco Ld 15¾% Uns Ln Stk 2006 $ Rep Opt - £134◆
Inter-American Development Bank 9¾% Ln Stk 2015 - £99¾ (15Jy87)
International Bank for Rec & Dev 9¾% Ln Stk 2010(Reg) - £99¾ ¾ ¾ ¾ ¾
11.5% Ln Stk 2003 - £115¾ ¾ ¾
Ireland 12¾% Ln Stk 2008(Reg) - £117¾ 8
Montreal(City of) 3% Perm Deb Stk - £30 (15Jy87)
New Zealand 11¾% Stk 2014(Reg) - £113¾ (15Jy87)
Nova Scotia(Province of) 11¾% Ln Stk 2019 - £114¾ ¾
16¾% Ln Stk 2011 - £158¾ ¾
Petroleos Mexicanos 14½% Ln Stk 2006 - £78
Portugal(Rep of) 9% Ln Stk 2016(Reg) - £87 ¾ ¾ ¾
Province de Quebec 12¾% Ln Stk 2020 - £120◆
Spain(Kingdom of) 11¾% Ln Stk 2010(Reg) - £114¾ ¾ ¾
12% Ln Stk 1988(Reg) - £102¾ ¾ (14Jy87)
Sweden(Kingdom of) 9¾% Ln Stk 2014(Reg) - £97¾◆

13.5% Ln Stk 2010(Reg) - £131¼◆
Trinidad & Tobago(Republic of) 12¼% Ln Stk 2009(Reg) - £101¼ ¾ (14Jy87)
United Mexican States 16½% Ln Stk 2008(Reg) - £102½ (15Jy87)

Banks and Discount Companies
No. of bargains included 2219

Bank of Ireland(Governor & Co of) 7% Ln Stk 86/91 - £92 (15Jy87)
Bank of Wales PLC 13½% Subord Uns Ln Stk 95/97 - £119 (14Jy87)
Barclays Bank PLC 7½% Uns Cap Ln Stk 86/91 - £94 (14Jy87)
8¼% Uns Cap Ln Stk 88/93 - £97
12% Uns Cap Ln Stk 2010 - £116¾ ¾ 7
16% Uns Cap Ln Stk 2002/07 - £145¾ 6 ¾
Barings PLC 8% Cum 1st Prf £1 - 103½◆
Hill Samuel Group PLC 8% Uns Ln Stk 89/94 - £93 (10Jy87)
Mercury International Group PLC 7½% Cum Prf £1 - 102
Midland Bank PLC 7½% Subord Uns Ln Stk 83/93 - £93 ¾
10¾% Subord Uns Ln Stk 93/98 - £104¾ 5¾ ¾ ¾
14% Subord Uns Ln Stk 2002/07 - £128¾ ¾ ¾ ¾
National Westminster Bank PLC 7% Cum Prf £1 - 63 6
9% Subord Uns Ln Stk 1993 - £99¾
12½% Subord Uns Ln Stk 2004 - £119¾ ½ ¾ 20
Rea Brothers Group PLC 8.8% Cum Cnv Prf £1 - 137 (15Jy87)
Royal Bank of Scotland Group PLC 5½% Cum Prf £1 - 57 (15Jy87)
11% Cum Prf £1 - 108
Standard Chartered PLC 12¾% Subord Uns Ln Stk 2002/07 - £122¾

Breweries and Distilleries
No. of bargains included 882

Allied-Lyons PLC 5½% Cum Prf £1 - 52
7½% Cum Prf £1 - 72
6¼% Red Deb Stk 84/89 - £94
7% Red Deb Stk 82/87 - £98¾ (10Jy87)
7¾% Red Deb Stk 88/93 - £93
11¾% Deb Stk 2009 - £115¾ ½ (14Jy87)
7¾% Uns Ln Stk 93/98 - £91
Bass PLC 7% Cum Prf £1 - 67 (13Jy87)
8¾% Deb Stk 87/92 - £98¾
10.85% Deb Stk 96/99 - £100 (13Jy87)
4½% Uns Ln Stk 92/97 - £73 (13Jy87)
7¾% Uns Ln Stk 92/97 - £89½ 91
Bass Investments PLC 7¾% Uns Ln Stk 92/97 - £87½ (15Jy87)
Boddington Group PLC 8¾% Uns Ln Stk 2000/05 - £98 (10Jy87)
9½% Cnv Uns Ln Stk 2000/05 - £165¾
Bulmer(H.P.)(Hldgs) PLC 9¾% Cum Prf £1 - 122 (13Jy87)
8¾% 2nd Cum Prf £1 - 114 ¾ 5
Greenall Whitley PLC "A" Ord 5p - 76◆
8% Cum Prf £1 - 108 (13Jy87)
4½% Deb Stk 87/92 - £79 (13Jy87)
7% Irrd Uns Ln Stk - £61 (14Jy87)
Greene King & Sons PLC 6¾% Uns Ln Stk 88/93 - £82 (14Jy87)
Hardys & Hansons PLC Ord 25p - 770◆ 85◆
Mansfield Brewery PLC Ord £1 - 514
Morland & Co PLC 5% Cum Prf £1 - 40 (10Jy87)
Scottish & Newcastle Breweries PLC 7¾% Cum Prf £1 - 75¾◆
7% Cnv Cum Prf £1 - 151¾ 4
6% 1st Mtg Deb Stk 84/89 - £94 (15Jy87)
8¾% 1st Mtg Deb Stk 88/90 - £93 (10Jy87)
Seagram Distillers PLC 12¾% Deb Stk 2012 - £121¾ 2
Vaux Group PLC 6¾% A Cum Prf £1 - 66 8 (10Jy87)
8.875% Deb Stk 2015 (£25 Pd-1/9/87) - £25¾ (15Jy87)
Watney,Mann & Truman Hldgs PLC 4¾% Red Deb Stk 88/93 - £77¾ 8¾ (10Jy87)
6% Red Deb Stk 89/94 - £81½ (10Jy87)
7% Red Deb Stk 88/93 - £89 (10Jy87)
10¾% Red Deb Stk 90/95 - £105 (13Jy87)
12¾% Red Deb Stk 2008 - £121¾ ¾ ¾ (15Jy87)
6½% Uns Ln Stk - £59 (13Jy87)
8% Uns Ln Stk 90/95 - £91½ (15Jy87)
8¾% Uns Ln Stk - £76 (15Jy87)
Whitbread & Co PLC B Ord 25p - 400 (14Jy87)
4½% 1st Cum Prf Stk £1 - 44½◆
5½% 3rd Cum Prf Stk £1 - 58 (14Jy87)
4½% Red Deb Stk 99/2004 - £56 (13Jy87)
6¾% Red Deb Stk 86/91 - £90¾◆
7¾% Red Deb Stk 89/94 - £90½ 1½
7¾% Uns Ln Stk 95/99 - £86 ¾
10¾% Uns Ln Stk 2000/05 - £105◆
Whitbread Investment Co PLC Ord 25p - 382 87
7-12% Stepped Int 2nd Deb Stk 2010 - £110 (14Jy87)
Young & Co's Brewery PLC 9% Cum Prf £1 - 117 (15Jy87)

Commercial, Industrial, etc
No. of bargains included 28269

AGA Aktiebolag Non-Restricted Series "B" SK25 - SK201 (15Jy87)
AMEC PLC 15% Uns Ln Stk 1992 - £112◆
APV Baker PLC 10¾% Cnv Uns Ln Stk 97/2002 - £545 (14Jy87)
Albion PLC Ord 20p - 89 91
Albright & Wilson Ld 8% Deb Stk 87/92 - £90 (14Jy87)
Alcan Aluminium Ld Com Stk of Npv - £32¾ 33¾ 34 (14Jy87)
Alexanders Hldgs PLC "A"(Rst.V)Ord 10p - 39 40 1 2¾
Allied Textile Companies PLC 10% Cnv Subord Uns Ln Stk 1998 - £290 (14Jy87)
Amari PLC 8% Cum Cnv Red Prf £1 - 156 1 ¾ 2
Amber Day Hldgs PLC 10¾% Cum Prf 99/2002 £1 - 213
American Brands Inc Shs of Com Stk $3.125 - £30¾ (15Jy87)
Appletree Hldgs PLC Ord 10p - 365 (13Jy87)
Arcolectric(Hldgs) PLC Ord 5p - 86 8
Argyll Group PLC Warrants to sub for Ord - 340 (14Jy87)
Arlen PLC 11¾% Cnv Uns Ln Stk 1990 - £152 5 60
Armitage(George)& Sons PLC 5% 1st Cum Prf £1 - 63 (14Jy87)
ASDA-MFI Group PLC 6¾% Cum Prf £1 - 123½◆
Asprey PLC 9¾% Cum Prf £1 - 134◆
Associated British Engineering PLC 4.9% Cum Prf £1 - 62
Associated British Foods PLC 5¾% Uns Ln Stk 87/2002 50p - 32 3 5¾ ¾
7½% Uns Ln Stk 87/2002 50p - 42
Associated Electrical Industries Ld 6¾% Deb Stk 86/91 - £88¾ 90¾ (14Jy87)
Associated Fisheries PLC 8¾% Uns Ln Stk 91/96 - £83 (13Jy87)
Astra Holdings PLC Ord 5p (Ex Div) - 58¾ ¾ 9 9 ¾ ½ 60 ¾
Automated Security(Hldgs) PLC 8% Cnv Cum Red Prf £1 - 153
9% Cnv Uns Ln Stk 90/98 - £470 (13Jy87)
Avon Rubber PLC 4.9% Cum Prf £1 - 55
Ayrshire Metal Products PLC Ord 25p - 104 6 7 7
BET PLC 5% Perp Deb Stk - £45 (14Jy87)
BICC PLC 6% 1st Cum Prf Stk £1 - 57 ¾ (14Jy87)
5½% 2nd Cum Prf Stk £1 - 52 ¾ (14Jy87)
7% Deb Stk 85/90 - £93 4
7¾% Deb Stk 90/95 - £89½ (15Jy87)
BOC Group PLC 12¾% Uns Ln Stk 2012/17 - £121¾ ¾ 2 ¾ ¾
BPB Industries PLC 10¾% Deb Stk 97/2002 - £104¾ (15Jy87)
B.S.G.International PLC 12¾% Uns Ln Stk 93/98 - £105 (15Jy87)
Babygro Holdings PLC New Ord 10p (Fp/LA-14/8/87) - 153 6 7
Bailey(C.H.) PLC "B" Ord 10p - 220
Barker & Dobson Group PLC 8¾% Uns Ln Stk 90/95 - £80 (13Jy87)
Barratt (Henry) Group PLC Ord 10p - 121 4
Barry Wehmiller International PLC New Ord 5p (Fp/LA-4/9/87) - 197 200 200 2 3 3 7 8 10 2
Beazer(C.H.)(Hldgs) PLC 8¾% Cnv Uns Ln Stk 2000 - £204
Benlox Hldgs PLC 8% Cnv Cum Red Prf £1 - 330
Benson SBG PLC Ord 10p - 61
Birmid Qualcast PLC 7¾% Uns Ln Stk 87/92 - £90 (15Jy87)
Blackett Hutton Hldgs Ld 5¾% Cum Prf Stk £1 - 48
Blackwood Hodge PLC 8% Cum Prf £1 - 54
Blue Circle Industries PLC 6% Deb Stk 88/93 - £85
9% Deb Stk 92/97 - £99 (15Jy87)
10¾% Deb Stk 94/99 - £102¾
Boeing Co Shs of Com Stk $5 - $48¾ (13Jy87)
Bogod-Pelepah PLC Ord 10p - 60
Boots Co PLC 7¾% Uns Ln Stk 88/93 - £91
Boulton & Paul PLC 5½% Cum Prf £1 - 75 (14Jy87)
Bowater Industries PLC 4.55% Cum Prf £1 - 60 (14Jy87)
Braime(T.F.&J.H.)(Hldgs) PLC Ord 25p - 150
"A" Non.V Ord 25p - 120 (13Jy87)
Braithwaite Group PLC Ord £1 - 440 40 2 5 7 8
Cnv Prf 50p - 130
Bramall(C.D.) PLC 14% Cnv Uns Ln Stk 89/03 - £180 (15Jy87)
Brettle (George) & Co Ld 8¾% Uns Ln Stk 87/92 - £88 (13Jy87)

Water Works
No. of bargains included 1

Bournemouth & District Water Co 3.5%(Fmly 5%)Cons Ord Stk - £45 (15Jy87)
Cambridge Water Co 7¾% Red Deb Stk 88/90 - £92 (10Jy87)
Chester Waterworks Co 8% Red Deb Stk 92/94 - £91 (14Jy87)
Colne Valley Water Co 2.8%(Fmly 4%)Cons Prf Stk - £40 (14Jy87)
10% Red Deb Stk 96/98 - £98 (14Jy87)
East Surrey Water Co 7% Red Deb Stk 89/91 - £90◆
7¾% Red Deb Stk 91/93 - £90 (10Jy87)
Eastbourne Waterworks Co 7¾% Red Deb Stk 90/92 - £93 (10Jy87)
Essex Water Co 3.5%(Fmly 5%)Cons Ord Stk - £47 (14Jy87)
10% Deb Stk 92/94 - £99¾ (10Jy87)
Mid-Southern Water Co 3.5%(Fmly 5%)Cons Ord Stk - £46
8¾% Red Deb Stk 91/93 - £91¾◆
Mid-Sussex Water Co 4.9%(Fmly 7%)Max Addl Ord Stk - £72◆
10% Red Deb Stk 2013-17 (£10Pd-30/9/87) - £8 (10Jy87)
Newcastle & Gateshead Water Co 7%(Fmly 10%)Max Cons Stk - £120 (10Jy87)
3.5%(Fmly 5%)Cons Prf Stk - £40 (10Jy87)
10% Red Deb Stk 92/94 - £97 (14Jy87)
North Surrey Water Co 9¾% Red Deb Stk 94/96 - £96◆
South Staffordshire Waterworks Co 4% Perm Deb Stk - £35 (15Jy87)
9¾% Red Deb Stk 98/2000 - £93¾◆
Sunderland & South Shields Water Co - £50 (15Jy87)
7¾% Red Deb Stk 92/94 - £87 (10Jy87)
10% Red Deb Stk 92/94 - £99 (10Jy87)
Tendring Hundred Waterworks Co 5.6%(Fmly 8%)Max Prf Ord £10 - 510 (13Jy87)
2.8%(Fmly 4%)Prf £10 - 165 (10Jy87)
4.2%(Fmly 6%)Prf £10 - 400 (14Jy87)
7¾% Red Deb Stk 91/93 - £90 (10Jy87)
West Kent Water Co 12¾% Red Deb Stk 94/96 - £108 (13Jy87)

USM Appendix
No. of bargains included 6087

Anglia Secure Homes PLC New Ord 10p (Nil Pd-21/7/87) - 112
Biomechanics International PLC Ord 10p - 41 3
8% Cnv Uns Ln Stk 1991 - £190 (10Jy87)
Bonded Laminates Prolius PLC Ord 10p - 157
Colorgen Inc Shs of Com Stk$0.01(Restricted Transfer) - 40 ¾ 1 (14Jy87)
Colorgraphic PLC Ord 10p - 220 30
Colorvision PLC New Ord 5p (Fp/LA-31/7/87) - 186 7 8 90
Cramphorn PLC Ord 50p - 830 (15Jy87)
de Morgan & Co PLC New Ord 5p (Fp/LA-17/7/87) - 108 12 (15Jy87)
Economic Forestry Group PLC Ord 25p - 118
New Ord 25p (Fp/AL-25/8/87) - 117 20 2 3
Forgebrook Group PLC 12% Cnv Uns Ln Stk 92/97 - £110 5
Gibbs Mew PLC Ord 25p - 195 205
Goodhead Print Group PLC 7% Cnv Cum Red Prf £1 - 155 (14Jy87)
Hey and Croft Group PLC New Ord 10p (Fp/LA-31/7/87) - 178 82
Hornby Group PLC Ord 5p - 160 2
Johnson Fry PLC Ord 10p - 310◆ 25◆
Knobs & Knockers PLC New Ord 10p (Fp/AL-5/8/87) - 170 70 5 7 80 3 5 7 90
Learmonth & Burchett Management Sys New Ord 10p (Fp/LA-22/7/87) - 208◆
Parkfield Group PLC 7% Cum Cnv Red Prf £1 - 225◆ 8◆
Parkway Group PLC New Ord 5p (Fp/LA-4/8/87) - 235 8 40
Pavion International PLC 3.85% Cum Prf Stk £1 - 44 (10Jy87)
Plat Petroleum PLC "B" Ord 5p - £0.82 (15Jy87)
RKF Group PLC Ord 10p - 111 4
Ross Consumer Electronics PLC New Ord 10p (Fp/LA-31/7/87) - 243
S.E.P. Industrial Hldgs PLC Ord 5p - 43 5
Scantro Hldgs PLC 7.75% Cnv Cum Red Prf £1 - 210 (15Jy87)
Shelton (Martin) Group PLC Ord 10p - £0.87 (10Jy87)
New Ord 10p (Fp/LA-31/7/87) - 86½ 7½
Sigmex International PLC Ord 10p - 83
Splash Products PLC Ord 10p - 75 82
Stanco Exhibition Group PLC Ord 5p - 58 7 ½ 8 9 60
New Ord 5p (Fp/LA-17/7/87) - 57
Tuskar Resources PLC Ord Ir£0.05 - I£0.4 I£0.41 I£0.42 I£0.43 p27 33 4 5 ½ 6 6 7 8 9 40 ½ 1 1 2 3
UCL Group PLC Ord 5p - 186 (14Jy87)

The Third Market Appendix
No. of bargains included 273

Amerocaur Energy PLC New Ord 10p (Fp/AL-24/7/87) - 76 7 80 1 2
Comac Group PLC New Ord 5p (Fp/LA-14/8/87) - 158◆ 65◆
Far East Resources PLC Ord 10p - 182 3 5 7 7 8 9 70

SPECIAL LIST

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

ACI Intnl $A4.474 54 (13/7)
Acmex Hldgs 245 (14/7)
Acorn Secs £119◆ 123◆ 4◆ $A2.65◆ p116 7 8 9 120 1 3
Amatil $8.63◆ 8.98 (13/7)
American Barrick Res Corp npv £11⅞ (15/7)
Airship Indus 35◆ 6◆ 7◆ 8◆ 8½◆ 41◆ p37 8 41 ½ 2 3 ½
Ames Dept Stores $24.825 (13/7)
Ampol Expl 250
Amsterdam-Rotterdam Bank £23.6 23.65 Fl 79.3 80.4 80.8
Aust Oil and Gas 100 (10/7)
Basic Res Intl (Bahamas) 28¼◆ (15/7)
Berjuntai Tin Dredging 80◆ (13/7)
Brascan A npv £18.0◆
BTR Hopkins 430◆ $6.9 $A9.92 (10/7)
Burwill Intl $2.01 (15/7)
CSF (Thomson-CSF) FFr 1,350 1,360 1,362
Central Norseman Gold 130 $A2.95 3.01 3.03
Central Victorian Gold Mines 12 3 5 (14/7)
Cerebos Pacific $$ 6.3251 (15/7)
City Devpts S$4.6788 (15/7)
Comidial Corp 130 (15/7)
Conex Aust 5¼ (13/7)
Consld Expl $A4.96 (15/7)
Consld Res 2 ½◆ (13/7)
Daicel Chemical Indus Y739.58 742.29 744.91
Development Bank of Singapore S$15.9
Devex $A1.4 (15/7)
Du Pont (E. I.) De Nemours $123⅝◆ (15/7)
Eastcourt 20 (15/7)
Elec & Eltek Co 5◆ (15/7)
Emu Hill Gold Mines 7◆ (10/7)
Free State Cons Gold Mines (R0.50) $17⅛◆ $17½ R59.0
Golconda Minerals 57◆
Golden Valley Mines 37½‡◆ (13/7)
Grants Patch Mining 23◆ (13/7)
Groupe Bruxelles Lambert Bf5865◆ 5900◆
Hang Lung Development $H15.1 (14/7)
Hexcel Corp $50½◆
Hill 50 Gold Mines 100
Holiday Corp $26¾ (15/7)
Hooker Corp 170 (14/7)
Hunter Resources A$1.5 1.58 (14/7)
Int Mining 12◆ (13/7)
Invincible Gold NL A$0.30 (A$0.20) 26◆ P22 (10/7)
Jones (David) 400◆ (15/7)
Jones Mining (S$0.20) 27◆
Kansai Electric Power Y3134.342 (14/7)
Keystone Internal $20⅝◆ (13/7)
Kreditkassen Nk240 (10/7)
Kulim Malaysia 48 (13/7)
Lee Hing Development $H3.888
Leighton Hldgs 134‡◆ (13/7)
Malayan Cement 50◆ (13/7)
Malaysian Airline System $M6.4177 (13/7)
Matsushita Electric Industrial Y2218.23 2241.18 2280 2300
Mt-Ennis Minerals 52 (15/7)
Mitsubishi Heavy Indust. Y580.49
Moore Martin Gold Mines 52 (15/7)
NZ Forest Products 140◆ (10/7)
National Electronics (Consolidated) 6
Nationale-Nederlanden CVA (Fl 2.5) Fl 72.55◆ 73.55◆ 73.8◆ 74¼◆ Fl 73.0
North Flinders Mines 635◆ 620
Oil Search 82◆ 3◆ 84 84½ 86
Oilmet Resources 3◆ 7◆
Overseas Chinese Banking Cpn. S$9.999◆ (10/7)
Pan Pacific Pet 8½◆ 9◆ 9p
Pargesa Hldgs SA £875¼ SF2250 (15/7)
Petersville Sleigh 120◆ (13/7)
Petroleum Securities Aust. 43
Philips Kommunikations Industries DM$47.1◆ (13/7)
Pioneer Electronic Cpn Y2805
Plenty River Mining Co. 16◆ 7◆ 8◆ 9◆ 20◆ 1◆ 2◆ 17p 8
Poseidon 228◆ 242◆ 244◆ 242p A$5.45 5.67
Povey Corporation 18
Rea Gold Cpn 335
Regal Hotels (Hldgs) 15◆ 15 20 (14/7)
Robinson & Co S$4.3014◆ S$4.32 (10/7)
Royex Gold Mining Cpn C$4.97◆
Service Corp Int $29.0
Singapore Land S$8.694◆ 8.905◆ (10/7)
Snap-on Tools Corp $42.425 (15/7)
Societe Nationale Elf Aquitaine Fr392◆ 393◆ Fr391 392 39
Source Perrier Fr805 (10/7)
Southland Corp £47½
Stirling Petroleum $A0.08 (10/7)
Sky Line Exploration Com NPV 562½ (15/7)
Swire Pacific "B" $H3.955 (13/7)
Tandem Resources $32.0
Target Petroleum Ord. 36. ($A0.15) 16
Tri-Basin Resources 55◆ (10/7)
United Overseas Land $1.35
Valiant Consld. 17 (14/7)
Vuitton (Louis) Fr1160◆ 1160.904◆

Continued on page 14

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 16 1987					WEDNESDAY JULY 15 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	147.03	+1.4	133.65	137.39	2.86	144.99	131.72	135.88	147.03	99.92	75.60
Austria (16)	91.49	+2.5	83.16	87.18	2.38	89.22	81.05	84.77	101.62	85.53	86.75
Belgium (48)	126.72	+1.0	115.19	119.22	4.02	125.50	114.01	118.07	126.72	96.19	83.25
Canada (132)	138.45	+0.6	125.85	132.54	2.11	137.68	125.07	131.95	138.45	100.00	96.05
Denmark (39)	114.80	−0.9	104.35	108.87	2.56	115.86	105.26	109.40	124.10	98.18	92.75
France (121)	109.23	−1.1	99.29	104.77	2.71	110.49	100.38	105.59	121.82	98.39	87.08
West Germany (92)	99.22	−0.7	90.19	94.76	2.00	99.94	90.79	95.06	100.33	84.00	80.47
Hong Kong (45)	132.05	+1.4	120.03	132.38	2.73	130.23	118.30	130.57	132.05	96.89	70.66
Ireland (14)	144.04	−0.9	130.94	139.11	3.24	145.41	132.09	139.80	145.41	99.50	92.10
Italy (76)	95.89	+0.9	87.17	95.18	1.91	95.00	86.30	93.93	112.11	93.47	80.04
Japan (458)	133.63	−0.8	121.47	127.13	0.54	134.69	122.36	126.47	161.28	100.00	86.64
Malaysia (36)	185.76	−0.4	168.85	181.59	2.07	186.48	169.41	182.06	186.48	98.24	80.26
Mexico (14)	289.14	+1.2	262.83	436.89	0.69	285.58	259.43	430.89	289.14	99.72	51.83
Netherland (38)	127.82	+1.0	116.18	120.61	3.68	126.56	114.98	119.03	127.82	99.65	91.15
New Zealand (26)	107.18	+1.8	97.42	94.10	2.97	105.32	95.68	92.95	107.18	83.93	72.07
Norway (24)	149.35	+0.2	135.76	135.97	2.01	149.01	135.37	135.36	149.35	100.00	97.25
Singapore (27)	160.60	+0.5	145.98	156.68	1.57	159.77	145.14	155.91	160.60	99.29	79.16
South Africa (61)	176.05	+0.6	160.03	128.30	3.21	174.97	158.95	127.51	186.74	100.00	71.60
Spain (43)	126.40	+0.2	114.90	120.85	3.35	126.09	114.55	120.31	126.40	100.00	82.68
Sweden (33)	120.02	−0.4	109.09	113.84	2.04	120.48	109.45	113.93	124.68	90.85	90.48
Switzerland (53)	100.07	−0.1	90.96	94.86	1.76	100.18	91.01	94.53	104.06	92.01	82.72
United Kingdom (336)	162.87	+0.9	148.04	148.04	2.94	161.45	146.67	146.67	162.87	99.65	98.59
USA (591)	127.57	+0.7	115.96	127.57	2.84	126.73	115.12	126.73	127.57	100.00	98.83
Europe (933)	128.35	+0.4	116.67	120.08	2.71	127.89	116.18	119.39	128.95	99.78	89.28
Pacific Basin (686)	134.06	−0.6	121.86	127.59	0.71	134.91	122.56	126.87	158.77	100.00	86.70
Euro-Pacific (1619)	131.83	−0.2	119.83	124.58	1.49	132.15	120.05	123.88	143.65	100.00	87.12
North America (723)	128.16	+0.7	116.50	127.88	2.79	127.32	115.66	127.04	128.16	100.00	98.68
Europe Ex. UK (597)	106.91	−0.1	97.19	102.51	2.50	107.04	97.24	102.26	107.75	98.02	83.67
Pacific Ex. Japan (228)	139.44	+1.3	126.76	133.07	2.73	137.63	125.03	131.59	139.44	99.92	73.94
World Ex. US (1826)	132.64	−0.2	120.57	125.13	1.54	132.91	120.74	124.42	143.38	100.00	87.23
World Ex. UK (2081)	127.48	+0.0	115.88	123.96	1.92	127.44	115.77	123.27	133.61	100.00	91.13
World Ex. So. Af. (2356)	130.34	+0.1	118.48	126.14	2.02	130.18	118.26	125.38	135.02	100.00	91.88
World Ex. Japan (1959)	129.23	+0.6	117.47	125.72	2.77	128.48	116.71	124.91	129.23	100.00	94.21
The World Index (2417)	130.63	+0.1	118.74	126.19	2.03	130.46	118.52	125.43	135.15	100.00	91.76

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$480	23	3.50	20	15	22	24	$450.30
GOLD C	$500	34	1.50	8	11.20	5	19.50	"
GOLD P	$420	5	0.60	10	4.10	—	—	"
GOLD P	$460	—	—	—	—	10	20.50	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	70	85	—	—	16	175A	$753
SILVER C	$800	—	—	12	80A	2	100	"
SILVER C	$850	20	40A	11	55	—	—	"
SILVER C	$900	35	25	12	30	—	—	"
		Jul 87		Aug 87		Sep 87		
$/FL. C	FL195	—	—	—	—	1	13.30B	FL208.69
$/FL. C	FL200	34	7.80B	2	8.30B	17	8.80	"
$/FL. C	FL205	167	3	60	4.30	50	5.20	"
$/FL. C	FL210	30	0.05	104	1.45	113	2.70	"
$/FL. C	FL215	—	—	100	0.60	2	0.90	"
$/FL. P	FL195	—	—	1	0.50A	—	—	"
$/FL. P	FL200	—	—	—	—	30	0.80	"
$/FL. P	FL205	—	—	3	1.10	—	—	"
$/FL. P	FL210	16	1.70A	54	3.45	67	4.30	"
		Dec 87		Mar 88		June 88		
$/FL. C	FL190	—	—	15	18.30B	—	—	FL208.69
$/FL. C	FL195	4	13.30B	20	13.30B	24	14	"
$/FL. C	FL200	22	9.30B	36	10.70	—	—	"
$/FL. C	FL205	50	6.50	2	7.10	4	8	"
$/FL. C	FL210	304	4.50	—	—	—	—	"
$/FL. P	FL190	—	—	11	1.70	—	—	"
$/FL. P	FL195	—	—	—	—	22	4.50A	"
$/FL. P	FL200	8	2.80A	36	4.40	20	6.20	"
		July 87		Oct 87		Jan 88		
ABN C	FL480	1028	2	443	21.90	33	30.30	FL486
ABN P	FL480	99	0.40A	210	16.20	23	18.50	"
AEGON C	FL95	978	1.80B	475	6.60	16	8.30	FL97.20
AEGON P	FL95	61	0.10	137	3.50	12	4.50	"
AHOLD C	FL110	55	0.10	250	5	3	6.50	FL108.60
AHOLD P	FL110	3	1.50	20	3.80	—	—	"
AHOLD C	FL109.10	170	0.20	11	5.70	—	—	"
AKZO C	FL170	2469	0.90	994	12	115	15.50	FL171.70
AKZO P	FL170	209	0.20	738	7.30	80	9.20	"
AMEV C	FL65	1083	0.10	161	4	11	6	FL64.50
AMEV P	FL65	156	0.90	58	3.80	8	4.20	"
AMRO C	FL80	2545	2.10	1411	5.80	280	7.80	FL82.50
AMRO P	FL80	49	0.10	177	2.60	12	4.20	"
ELSEVIER C	FL60	106	0.10	1483	3.40	98	5	FL56.10
ELSEVIER P	FL54	—	—	145	2.90	[illegible]	[illegible]	"
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	FL50	—	—	140	1.80	10	2.30B	"
NEDLLOYD C	FL160	—	—	119	5.80	12	8	FL190
NEDLLOYD P	FL150	83	1.10	228	9	—	—	"
NAT.NED. C	FL75	1631	0.10	450	3.80	132	5.50	FL74.20
NAT.NED. P	FL75	251	1.10	134	3.90	12	4.70	"
PHILIPS C	FL55	7386	1.30B	1956	4.80	641	6.10	FL56.20
PHILIPS P	FL55	680	0.10	436	2.60	145	3.80	"
ROYAL DUTCH C	FL300	—	—	1092	7.80	236	11.50	FL290.90
ROYAL DUTCH P	FL280	49	0.10	303	5.90	66	8.20	"
ROBECO C	FL110	—	—	32	2.40	4	4.50	FL108.50
ROBECO P	FL110	30	1.50	4	3.50	—	—	"
UNILEVER C	FL140	3053	3.20	1080	8.90	241	11.70B	FL143
UNILEVER P	FL140	50	0.10	371	3.60	27	5.10	"

TOTAL VOLUME IN CONTRACTS: 106,669

A=Ask B=Bid C=Call P=Put

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,700	214	−4	Jaguar	4,700	594	+13
Allied Lyons	2,700	466	—	Ladbroke	1,000	449	−9
4,900ad	191	+9		Land Securities	1,800	576	−14
Argyll Group	595	470	−7	Legal & Gen.	1,800	349	−7
Assoc. Brit. Foods	4	413	−2	Lloyds Bank	1,700	424	−5
BAT	1,900	674	+3	Lonrho	2,300	306½	+5½
BET	1,000	308	−1	MEPC	1,400	575	−9
BOC	514	552	−4	Marks & Spencer	1,100	271	−1
BPB Inds	234	870	−4	Midland Bank	1,400	644	—
BPCC	731	323	—	NatWest Bank	2,000	783	−6
BTR	2,900	352	−2	Next	543	353	—
Barclays	1,300	645	−4	Pearson	1,000	763	+4
Bass	154	£10⅞	−⅛	P & O	175	774	+1
Beecham	2,600	587	+2	Pilkington Bros	1,000	£10½	−⅛
Blue Circle	740	950	−12	Plessey	5,300	225	−3
Boots	4,200	314	—	Prudential	731	£10¼	−⅛
Brit. Airways	5,500	166	−4	Racal	2,200	286	−4
Brit. Aero	700	524	—	Rank Org	1,200	782	−38
Brit. & Comm.	1,500	567	+3	RHM	1,400	343	+3
British Gas	5,800	193	−7	Reckitt & Col	328	£12	−⅛
Britoil	4,700	337	−11	Redland	464	564	−5
BP	10,000	407½	−2½	Reed Intl.	974	554	−2
Brit. Telecom	9,300	294	−6½	Reuters	875	902	+16
Bunzl	1,000	258	−3	RMC	289	569	−4
Burton	1,800	334	+8	RTZ	1,400	£12⅞	−⅛
Cable & Wire	1,900	411	−2	Rolls-Royce	6,300	124	+2
Cadbury Schwps	1,000	285	−1	Rowntree	302	581	+1
Coats Viyella	155	355	−8	Ryl Bank Scotland	1,000	421	+12
Comm. Union	2,400	376	+2	Royal Insurance	2,300	560	+12
Cons. Gold	566	£12⅞	−⅛	STC	3,400	321	−8
Cookson	978	785	−7	Saatchi & Saatchi	1,200	681	−1
Courtaulds	1,700	512	−10	Sainsbury	346	283	−2½
Dee Corpn	2,000	249	−7	Scott & Newcastle	1,700	257½	−1½
Dixons Group	2,200	382	+6	Sears	5,800	175	−1
English China Clays	498	527	−13½	Sedgwick	2,000	328	+3
Fisons	207	389	−8	Shell Trans	1,000	£14⅞	—
Gen. Accident	74	£11⅞	−⅛	Smith & Nephew	164	191½	−1
Gen. Elect	18,000	247	+10	Standard Chart	419	812	+2
Glaxo	1,300	£18⅞	−⅛	Storehouse	5,100	307½	+5
Globe Investment	495	195	−½	Sun Alliance	538	£10½	+⅛
Granada	1,000	359	+1	TSB	9,600	95	+1½
Grand Met	1,200	590	−4	Tarmac	1,100	324	−14
GUS "A"	26	£14⅞	—	Tesco	3,200	197	−2
Guardian R.E.	203	£11¼	—	Thorn EMI	1,400	798	−8
GKN	1,100	399	−3	Trafalgar House	1,300	430	−6
Guinness	1,300	378	+2	T'house Forte	2,400	276	−1
Hammerson	159	640	−10	Unigate	646	437	−6
Hanson Trust	10,000	190	−1½	Unilever	968	704	−11
Hawker Sidd.	721	602	;12	United Biscuits	4,200	352	+9
Hillsdown Hldgs	1,400	320	−4	Wellcome	1,200	490	−2
ICI	1,800	£15⅛	−⅛	Whitbread "A"	96	368	−2
				Woolworth	868	417	−1

RISES AND FALLS ON THE WEEK

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	5	26	30	384	114	62
Corporations, Dom. and Foreign Bonds	3	4	52	67	20	208
Industrials	506	503	550	3,478	1,769	2,554
Financial and Props.	220	137	240	1,219	571	1,199
Oils	35	33	46	200	129	241
Plantations	3	0	11	15	9	46
Mines	70	24	96	319	174	457
Others	130	43	95	461	345	514
Totals	1,023	770	1,120	6,143	3,131	5,281

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday July 16 1987

Mining Finance	+81.46	Consumer Group	+47.90
Property	+70.43	Industrial Group	+47.47
Publishing and Printing	+68.21	Chemicals	+45.80
Metals and Metal Forming	+65.23	Other Groups	+45.22
Contracting, Construction	+64.56	Other Industrial Materials	+45.18
Health and H'sehold Products	+63.70	Financial Group	+43.26
Oils and Gas	+62.69	Electronics	+42.88
Agencies	+60.22	Gold Mines Index	+41.85
Building Materials	+59.76	Insurance (Composite)	+41.72
Textiles	+59.63	Merchant Banks	+41.61
Shipping and Transport	+59.01	Food Retailing	+40.87
Overseas Traders	+53.05	Conglomerates	+38.78
Electricals	+52.71	Stores	+38.64
Packaging and Paper	+50.45	Mechanical Engineering	+37.40
Leisure	+50.11	Insurance (Life)	+36.96
500 Share Index	+49.61	Telephone Networks	+36.33
Motors	+49.16	Brewers and Distillers	+35.32
Capital Goods	+48.99	Investment Trusts	+32.08
All-Share Index	+48.25	Banks	+29.98
Food Manufacturing	+47.94	Insurance Brokers	+21.28

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred.	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp.	§11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Mageraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. ★ 7-day deposits 4%. Sureesaver 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4¾% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

BANK RETURN

BANKING DEPARTMENT	Wednesday July 15, 1987		Increase (+) or decrease (−) for week
LIABILITIES	£		£
Capital	14,553,000		—
Public Deposits	88,099,728	+	2,998,179
Bankers Deposits	1,168,958,009	+	286,652,536
Reserve and other Accounts	1,687,304,902	−	91,591,044
	2,958,915,639	+	198,059,671
ASSETS			
Government Securities	659,155,295	−	12,464,776
Advance and other Accounts	1,107,905,293	−	22,741,697
Premises Equipment & other Secs	1,179,137,475	+	225,854,841
Notes	12,445,585	+	7,391,993
Coin	271,991	+	19,310
	2,958,915,639	+	198,059,671

ISSUE DEPARTMENT			
LIABILITIES	£		£
Notes in Circulation	13,207,554,415	+	62,608,007
Notes in Banking Department	12,445,585	+	7,391,993
	13,220,000,000	+	70,000,000
ASSETS			
Government Debt	11,015,100		—
Other Government Securities	6,783,397,606	+	294,788,944
Other Securities	6,425,587,294	−	224,788,944
	13,220,000,000	+	70,000,000

Continued from page 13

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange.

All England Lawn Tennis Gnd £500 Dbs 1986-90 (£862 pd) 620,000 (14/7)
Ann Street Brewery (£1) 750. Do. Cm2ndPf (£1) £10.50
Barbican Hldgs (1p) 5¾ ½ 6½ 7
Burrough (James) 410
Channel Hotels Prop (10p) 163 (14/7)
Church Army Hsg Soc 2½pcLn £10 (10/7)
Ciba-Geigy 8pcLn 1981-94 (£100) £464 (13/7)
Dawson (Wm) (10p) 630
Fredericks Place (20p) 80 (15/7)
Greenstar Hotels (10p) 26½ (10/7)
Kunick Leisure (10p) 41
Le Riches Stores (£1) 470 (14/7)
Lincolnshire Standard 400 (13/7)
Manx and Overseas Inv Tst (10p) 25 (13/7)
Merrett (10p) 450 3 (10/7)
Mid Sussex Water 3.15pcPf £25 (10/7)
Norton Villiers Triumph (1p) 6½ 7 ½ 8½
Regency Life 16pcPf (£1) 105 (13/7)
Sefton Hotel (£1) 260 (15/7). 7pcPf (£1) 60 (15/7)
Shepherd Neame "A" (£1) 660
Southern Newspapers (£1) 305 15 (15/7)
Talcare (£1) 195 (10/7)
UTC Trading Corp (5p) 65 (14/7)
Wadworth 9¾pcPf (£1) 105¾ (10/7). 10pcPf (£1) 115¼ (10/7)
Weetabix A (non-vtg) 289 (15/7)
Wolverhampton Racecourse 290
Wynstay Props 145 (10/7)

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration.

Andana Resources (10p) 77 80 (15/7)
Kenmare Oil Explo (IR25p) 49 ½ 50 1 2 3 4 5 6

Legal Notices

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
No. 002763 of 1987
IN THE MATTER OF
DUNLOP TEXTILES LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 7th July 1987 presented to Her Majesty's High Court of Justice for:
(a) the sanctioning of a Scheme of Arrangement; and
(b) the confirmation of the reduction of the capital of the above-named Company from £2,505,000 to £255,000 by cancelling shares in accordance with the terms of the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr Justice Harman at the Royal Courts of Justice, Strand, London WC2, on Monday, the 27th July 1987.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

Dated this 18th day of July 1987
NORTON, ROSE, BOTTERELL & ROCHE
Kempson House,
Camomile Street,
London EC3A 7AN
Solicitors for the said Company.

Art Galleries

ZAMANA GALLERY, Cromwell Gardens, SW7. 01-584 6612. A Search for Excellence. The Aga Khan Award for Architecture. 18 June-26 July. Tues-Sat 10-5.30; Sun 12-5.30.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

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هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)

Prudential Unit Trust Mngrs Ltd (a) (b) (c)

Standard Life Trust Mngmt. Ltd

Abbey Life Assurance—Contd.

Cannon Assurance Ltd (x)

Crusader Insurance Plc

Gresham Unit Assurance Ltd

Irish Life Assurance—Contd.

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

St George's Way, Stevenage 0438 356101

Managed	461.1	485.4	—	—
Property	280.4	295.2	—	—
Equity	601.4	633.0	—	—
Gilt Edged	369.6	389.0	—	—
Deposit	204.5	215.3	—	—
Investment	256.8	269.7	—	—
International	423.2	445.5	—	—
Pension Fund Prices				
Managed Init.		335.2	—	—
Do. Accum.		410.3	—	—
Property Init.		243.0	—	—
Do. Accum.		297.3	—	[illegible]
Equity Init.		453.1	—	—
Do. Accum.		553.6	—	—
Gilt-Edged Init.		236.4	—	[illegible]
Do. Accum.		289.2	—	—
Guaranteed Init.		157.9	—	—
Do. Accum.		193.3	—	—
International Init.		502.3	—	—
Do. Accum.		614.2	—	—
Index Lk. Gilt Init.		137.9	—	—
Do. Accum.		168.6	—	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property		301.7	+0.0	—
Property Pens.		398.4	+0.1	—
Equity		713.2	+1.3	—
Equity Pens.		975.0	+7.5	—
Money Market		317.8	+1.3	—
Money Mkt. Pens.		569.9	+2.4	—
Deposit		236.7	+0.1	—
Deposit Pens.		376.7	+0.1	—
Managed		308.4	+1.6	—
Managed Pens.		600.6	+4.3	—
Intl. Equity		352.4	+1.4	—
Do. Pens.		570.9	+3.0	—
Intl. Managed		326.8	+1.3	—
Do. Pens.		487.2	+2.6	—
North American		132.3	+0.6	—
Do. Pens.		151.8	+1.0	—
Far East		287.7	+1.0	—
Do. Pens.		419.4	+1.4	—
Intnl. Currency		174.3	-0.6	—
Do. Pens.		227.7	-1.1	—
Index Linked		134.3	+0.1	—
S & C Managed Fd		147.3	+0.4	—
S & C Pens Mngd Fd		120.5	+0.4	—
Trustlink Life Funds				
Per Worldwide Rec.		166.3	-0.2	—
Per Far East Growth		210.8	+2.4	—
Per Intl Growth		157.7	+0.1	—
Per Income		178.5	+1.0	—
Per Emerging Co's		163.2	+0.6	—
Per American Growth		146.8	-0.4	—
Per European Growth		126.5	+0.3	—
Fra American & Gen		120.8	-0.7	—
Fra Capital		189.7	+1.0	—
Fra Income		195.1	+1.0	—
Fra Intl Growth		136.8	-0.4	—
Fra Japan & Gen		172.0	+0.8	—
Fra Recovery		201.8	+0.4	—
Fra Convertible & Gilt		150.0	+0.9	—
Fra European		132.3	-1.1	—
GAR American		127.6	+0.0	—
GAR European		156.4	+0.2	—
GAR Far Eastern		176.9	-0.1	—
GAR British		194.1	+1.9	—
GAR Global		172.5	+0.6	—
GAR Special Situations		211.2	+2.4	—
GAR Smaller Co's		229.7	+1.6	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53xd	.....	3.50	6.60
50	40	Do. 6pc 28 Stb. Ass.	50	.....	3	6.00
47	45	Do 4pc Mixed Ass.	47	.....	2	4.26
66	58	Hung. '24 Ass	65	.....	2.75	4.23
146½	122⅞	Hydro Quebec 15pc 2011	141¼	–	15.00	10.31
94	83	Iceland 6½pc '83-88	90	.....	—	—
136¼	115½	Do. 14½pc Ln. 2016	131½xd	–½	14.50	10.92
103½	94	Ireland 9¾pc '91-96	101¼	.....	9.75	9.49
98½	93	Japan 6% '83-88	94	.....	—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
41	32⅛	Abbott Laboratories$1	38	+1½	$1.00	—	1.6
17	11⅞	Ahmanson (H.F.)	12¾	–⅛	88c	—	4.2
35	24⅝	Alcoa $1	34⅞	–⅛	$1.20	—	2.1
18⅞	15⅛	Allegheny & W $0.01	17¼	+⅛			
15¼	8⅜	Amax $1	15¼	+⅛	—	—	—
26¼	17¼	Amdahl 5c	24⅜	–⅛	20c	—	0.5
33	25⅝	Amer. Cyanamid $5	31½	+⅛	$2.90	—	3.7
25	18	Amer. Express $0.60	20½xd	+⅛	$1.44	—	4.3
12⅞	10	Amer. Medical Int. $1	12⅛	.....	†72c	—	3.6
19	14¼	American T. & T. $1	19	+1	$1.20	—	3.8

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[illegible]

Money Market Bank Accounts

[illegible]

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 766966
H.I.B.A. 8.11 6.10 8.62 —

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc.	8.47	6.37	8.94	Qtr
Money Acc.	8.30	6.25	8.76	Qtr
Client Plus Acc.	8.22	6.20	8.70	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc.	8.25	6.21	8.75	Mthy
£10,000 and above	8.50	6.40	9.03	Mthy

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 224141
High Int Chq Acc. 8.94 6.73 9.45 Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc. 9.75 7.34 10.33 Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765

Japan Meta Growth	$12.17	–0.05	—
Yamaichi OSI Fund	$9.84	–0.10	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$22.97	+0.33	—
Dynamic Gwth Fd	$24.56	+0.39	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $12.26 12.48 — —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr

Charities Aid Fndtn Money Mngmt Co Ltd
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

CAFCASH Call Fund	8.42	6.34	8.97	3-mth
CAFCASH 7-day Fund	8.53	6.42	9.09	3-mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815
Deposit 8.70 — 8.99 3-Mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

Call Fund	8.56	6.44	8.96	6-Mth
7-day Fund	8.53	6.42	8.93	6-Mth
Dollar	5.31	4.00	5.56	3-Mth

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30	22⅞	Sara Lee $1	27½xd	–	$1.00	—	2.2
11	8⅝	Saul (B. F.) $1	10¼xd	–⅛	20c	—	1.2
26¼	19⅞	Southwestern Bell $1	22¼xd	+⅛	h$2.32	—	6.4
18⅛	14¼	Staley Continental	17⅛	+⅛	80c	—	2.8
44	36⅛	Sun Co. Inc. $1	41xd	+	$3.00	—	4.4
37	28¼	TRW Inc. $1¼	33⅞	+1¼	h$1.60	—	2.9
32	25⅞	Tenneco $5	32	+	$3.04	—	5.8
187½	149½	Do. 10pc Ln.Stk. 91-5	187½xd	....	10%	—	f5.5
28	17	Texaco $6.25	28¼xd	–	$3.00	—	6.5
63¼	47⅛	Time Inc. $1	63¼	+1	$1.00	—	1.0
14⅛	11	Tracor $0.33	12⅛	+⅛	40c	—	2.0
26⅞	18⅞	Transamerica $1	25	+	$1.76	—	4.2
12⅛	922p	Transworld Corp $5	11½	–⅛	20c	—	1.1
46	29¼	TRINOVA Corp.	45¼	+¼	h$1.00	—	1.4
23	15	♥USX $1	23	+	$1.20	—	3.2
19⅛	15	Union Carbide $1	17⅞	–⅛	$1.50	—	5.1
35	26⅞	Utd. Technologies	32⅞	–¼	$1.40	—	2.6
38⅝	27	US West‖	31	–⅛	$3.28	—	6.5
25	17⅛	Waste Management $1	25¼	+½	—	—	—
£22¼	£20½	Whirlpool $1.0	£21⅛	–⅛	—	—	—
35⅛	26	♥Woolworth $3½	34	+⅛	$1.32	—	2.4

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp.	19p	+½	—	—	—
12⅝	506p	♥Amer. Barrick Res.	12xd	.....	—	—	—
122p	52p	Armeno	74p	.....	—	—	—
19⅛	14⅝	Bk. Montreal‖	16¼	+¼	$2.00	—	5.7
10½	745p	Bk. Nova Scot.‖	859p	+1	72c	—	3.9
20⅝	18	BCE‖	19½	.....	$2.40	—	5.7
10¼	712p	♥Bow Valley‖	10⅛	+	40c	—	1.8
19¼	12⅝	♥Brascan‖	18⅞	+½	88c	—	2.1
609p	277p	♥Breakwater Res.	450p	+4	—	—	—
11⅝	894p	Can. Imp. Bk. $2	10¼xd	+⅛	$1.08	—	4.6
13½	665p	Can. Pacific‖	13½xd	+½	48c	—	1.6
42½	37½	Do. 4pc Deb £100	41½	.....	4%	—	9.6
13¼	756p	♥Echo Bay Mines	13	.....	20c	—	0.7
181p	66p	Euro-Asia Capital Ltd.	168p	–6	—	—	—
733p	293p	♥Galactic Resources	560p	.....	—	—	—
69p	32p	Global Data Systems	48p	+2	—	—	—
873p	399p	♥Granges Expln‖	742p	.....	—	—	—
18½p	10p	♥Gt Pacific Res.	16p	.....	—	—	—
14½	781p	♥Gulf Canada‖	13⅞	+⅛	52c	—	1.7
13¼	10	♥Hawker Sid Can‖	13⅛	+⅛	96c	—	3.4
740p	460p	Henlys Group	670p	+2	—	—	—
14⅛	10⅞	Hudson's Bay ‖	11¼	+⅛	60c	—	2.5
36	24¼	♥Imperial Oil‖	35¼	+¼	s$1.60	—	2.1
12½	782p	Inco‖	12½xd	+¼	US$0.20	—	1.0
25⅛	14¼	♥Intl. Corona Res.	19	.....	—	—	—
695p	575p	♥Inland Nat. Gas $1	661p	.....	60c	—	4.2
10⅛	365p	♥Lacana Mining Corp‖	899p	+24	Q15c	—	0.8
363p	156p	♥Muscocho Expln.	308p	+7	—	—	—
10	748p	♥Nini Business Syst.‖	876p	.....	—	—	—
623p	338p	♥Nevada Goldfields	496p	+3	—	—	—
12	927p	♥Rio Algom	11⅛	+⅛	$1.30	—	5.4
19⅛	14⅜	Royal Bk. Can.‖	17	+¼	$2.00	—	5.4
385p	135p	♥Royex Gold Mining‖	245p	+7	—	—	—
49½	40¼	Seagram‖	48⅞	+⅛	US$2.00	—	1.3
15	11½	Toronto-Dom. Bk.‖	14⅞	+⅛	84c	—	2.6
228p	19p	♥Trans Atlantic Res‖	89p	+1	—	—	—
10⅛	789p	♥Trans Can Pipe	888p	–5	$1.12	—	5.8
184p	124p	Varity Corp‖	147p	+10	—	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
196	146	ANZ $A1	192	+4	hQ20.7c	2.4	4.9	8.6
273	230	Allied Irish	258	...	Q61.6%	2.8	5.5	9.0
£164	£115¾	Algemene Fl.100	£143½	+¼	Q27%	2.1	5.8	8.2
67	53	Anglo Irish	65xd	+2	Q19.69%	1.4	6.8	16.6
108	84	Ansbacher (H.) 1p	108	.....	2.0	—	2.5	—
£40½	£24¾	Banco de Bilbao S.A.	£33¼	.....	Q38%	3.0	2.8	18.7
£30	£23½	Banco de Santander	£30	+	Q23.2%	♦	1.4	♦
245	176	Bank Ireland Ir£1	238	.....	Q15.93%	2.9	6.1	8.2
£14	£11½	Bank Leumi	£14	.....	—	—	—	—
350	240	Bk. Leumi (UK) £1	350	.....	12.4	—	4.9	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

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LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
412	305	PWS Holdings 10p	410	+21	†q9.25	2.9	3.1	15.3
430	316	Pearl Group 5p	423	.....	10.5	—	3.4	—
*£11¼	804	Prudential	£10¼	–⅛	29.0	—	3.7	—
580	438	Refuge 5p	580	+2	15.75	—	3.7	—
560	423	Royal	560	+12	h15.5	—	3.8	—
*344	274	Sedgwick Group 10p	328	+3	12.0	1.7	5.0	14.0
339	207	Steel Burrill J.10p	324	+4	9.0	2.0	3.8	18.1
668	403	Stewart Wr. 20p	668	+21	13.0	2.0	2.7	23.7
609	377	Stenge Hldgs 20p	609	+4	†16.0	2.5	1.4	39.7
£10½	645	Sun Alliance	£10½	+⅛	23.5	—	3.1	—
£12½	929	Sun Life 5p	£12½	+⅛	28.5	—	3.1	—
£69½	£39	♥Taisho M EDR	£69½	+2½	9010%	—	0.8	—
£21¾	£14⅞	Torchmark $1.00	£17¾	+¼	060c	—	2.1	—
375	235	Trade Indemnity	365	.....	4.3	—	1.6	—
£34	£24⅞	Travelers $1.25	£27½	+½	$2.28	—	5.1	—
£32½	£20⅞	USLIFE Corp. $1.0	£23½	+½	Q$1.20	3.2	3.1	52
725	555	♦Utd Friendly B 10p	718	–2	21.0	—	4.8	—
464	367½	Willis Faber 12½p	460	+15	10.75	1.9	3.2	23.1
89	41	Windsor Secs. 10p	70	+2	†0.7	1.5	1.4	64.6

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
34	11½	♦A & M Group 10p	32	+1½	0.4	2.0	1.7	40.0
83½	69	A-R TV Pref. £1	80	.....	5.95	48.1	12.2	—
242	189	Airtours 10p	213	–2	R5.4	2.5	3.6	15.5
*549	302	Anglia TV	442	–1	†q11.25	3.3	3.5	12.3
184	108	♦Aspinall Hldgs. 10p	165	–2	6.0	1.2	5.0	22.6
141	63	♦Avesco 1p	121	+1	0.5	6.7	0.6	34.2
65	40	♦BCE Hldgs 5p	60½	–1	Rd1.0	3.0	2.3	20.1
255	132	Barr & W.A.T. 'A'	245	.....	8.0	1.4	4.5	20.0
58	19	Bond Media	42	+1	—	—	—	—
225	165	Boosey & Hawkes	225	.....	—	—	—	—
83	45	♦Border T.V.	65	–1	†92.5	3.2	5.3	16.3
*401	79½	Brent Walker 10p	401	+11	98.5	2.2	3.4	19.4
*292	110	Campari Int. 20p	282	.....	3.0	5.1	1.5	14.4
303	211	Castle Commz. 5p	300	.....	R7.0	2.2	3.3	19.1

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
83	78	Amercoear Energy 10p	79	.....	—	—	—	—
46	9	Ardmore Pet. 'A'	40	+22	—	—	—	—
98	45	Catalyst Comms. 5p	92	–4	—	—	—	38.2
200	168	Chelsea Artisans 5p	168	.....	—	—	—	22.5
180	155	Comac Group 5p	170	+3	—	—	—	—
151	47	Corton Beach 10p	136	+1	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	180	.....	—	—	—	—
285	102	Edenspring Investment	270	.....	—	—	—	—
*62	18	Eglinton Oil Ir.5p	36	+5	—	—	—	—
41	17	Do. Warrants	22	+4	—	—	—	—
82	17	Publishing Hldgs.5p	82	+3	—	—	—	47.5
87	45½	Theme Holdings	83	.....	1.0	♦	1.7	♦
140	111	Unit Group	140ϕ	.....	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♦ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ƒ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	92	+2
Craig & Rose £1	£20¾	–⅛
Finlay Pkg. 5p	190	+4
Holt (Jos) 25p	1000	+10
IoM Stm. £1	146	+3
IRISH		
Fund 11¼% 1988	£100¾	.....
Nat. 9¾% 84/89	£98½	.....
Fin. 13% 97/02	£111¼	.....
Arnotts	388	.....
CPI Hldgs	58	.....
Carrol Inds.	176	–2
Dublin Gas	13	.....
Hall (R. & H.)	125	.....
Helton Hldgs.	41	+1
Irish Ropes	190	.....
Unidare	440	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	20
BAT	55
BOC Grp.	45
BSR	17
BTR	30
Babcock	19
Barclays	52
Beecham	50
Blue Circle	50
Boots	25
Bowaters	50
Brit Aerospace	55
Brit. Telecom	32
Burton Ord	35
Cadburys	22
Charter Cons.	40
Comm Union	30
Courtaulds	45
FNFC	30
Gen Accident	95
GEC	24
Glaxo	200
Grand Met	55
GUS 'A'	175
Guardian	90
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	40
Legal & Gen	32
Lex Service	45
Lloyds Bank	50
Lucas Inds	62
Marks & Spencer	22
Midland Bk	55
Morgan Grenfell	35
NEI	12
Nat West Bk	65
P & O Dfd	65
Plessey	22
Polly Peck	28
Racal Elect	26
RHM	30
Rank Org Ord	70
Reed Intnl	45
STC	30
Sears	15
TI	34
TSB	10
Tesco	55
Thorn EMI	70
Trust Houses	24
Turner Newall	28
Unilever	300
Vickers	20
Wellcome	42
Property	
Brit Land	25
Land Securities	45
MEPC	42
Peachey	45
Oils	
Brit Petroleum	32
Britoil	32
Burmah Oil	45
Charterhall	6
Premier	11
Shell	110
Tricentrol	11
Ultramar	24
Mines	
Cons Gold	95
Lonrho	26
Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

FINANCIAL TIMES

Saturday July 18 1987

Poindexter testifies to misleading Congress on Contra aid

By Stewart Fleming, US Editor, in Washington

SENATOR DANIEL INOUYE, co-chairman of the US congressional committee investigating the Iran/Contra scandal, yesterday described the testimony of Rear-Admiral John Poindexter, President Reagan's former National Security Adviser, as "chilling."

In a rare outburst of impatience at repeated interjections by Rr Richard Beckler, Mr Poindexter's lawyer, the normally impassive senator from Hawaii said the committee was leaning over backwards to be fair, adding: "But at the same time we have listened to testimony you have given that you misled or withheld information from the Congress (and) the President, and withheld information from the highest ranking cabinet member (Secretary of State George Shultz), and your most trusted aid (Lt Col Oliver North)."

Mr Poindexter, whose passion for secrecy has emerged as one of his salient characteristics and one that has angered Congressmen who see themselves as a co-equal branch of government, told the committee yesterday he had withheld information on White House efforts to aid Nicaragua's Contra rebels because "I did not want any outside interference."

Mr Poindexter's insensitivity to what Congress feels are its constitutional prerogatives is likely to increase the pressure on Capitol Hill for legislation to alter the role of the National Security Adviser.

Already there is speculation that one result of the hearings will be a movement on Capitol Hill to pass legislation requiring a President to submit the name of his National Security Adviser to the Senate for confirmation, and not simply appoint the individual he wants.

Representative Thomas Foley, the House Majority Leader, last week noted when Lt Col Oliver North suggested that as a member of the National Security Council staff he was working at the President's direction, that it was Congress which in 1947 passed a law establishing the Council.

Admiral Poindexter continued yesterday to provide the hearings with answers to questions which are embarrassing to the White House and contradict claims the President has made. He insisted, for example, the President Reagan would have approved diverting Iranian arms sale proceeds to the Contra rebels if he had been asked, something the White House has denied.

As to the remark from Senator Inouye that he had withheld information from cabinet officers, Mr Poindexter said: "I did not withold from them anything that they did not want withheld."

Meanwhile the White House yesterday launched a counter attack to Mr Poindexter's statement that he had not told President Reagan about the diversion of arms sales profits to the Contras. That claim has been greeted with deep scepticism by some on Capitol Hill, notably by Rep Louis Stokes. Mr Poindexter has been seen as the loyal aide shielding his President from political embarrassment.

The White House yesterday sought to underpin the credibility of Mr Poindexter's position and absolve the President from responsibility.

Independent airlines to fight BA-BCal merger

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SEVERAL LEADING independent airlines met yesterday to start a campaign of opposition to the proposed merger of British Airways and British Caledonian.

The airlines indicated they would press for referral of the plan to the Monopolies and Mergers Commission and that they would send tough submissions to Sir Gordon Borrie, Director-General of Fair Trading.

The Government discounted suggestions that it was thinking of allowing the merger to go ahead unchallenged and stressed that it would await a report from Sir Gordon before deciding on a referral to the commission.

The independents' main concerns are that any BA-BCal combine should not be allowed to control both Heathrow and Gatwick airports and that if the Government eventually allows the merger it should ensure that adequate competition remains, on both international and domestic short-haul routes.

Strong criticism followed the airlines' meeting, which was called by Mr Harry Goodman, chairman of International Leisure Group, owner of Air Europe, a bitter rival of BCal.

Mr Goodman said the majority view was that the proposed merger was "bad for British civil aviation and bad for the consumer."

Representatives attended from Air Europe, Air UK, Britannia, British Island, Dan-Air and Monarch. British Midland was unable to attend, but indicated agreement with the majority views expressed. Dan-Airf reserved its position.

"We can see the argument for some kind of mega-carrier to fight foreign competition on the long-distance routes, but we can see no argument at all for such a merger on the European and domestic short-haul routes, where British Airways already is the mega-carrier," Mr Goodman said.

There was deep concern that British Airways would take control of Gatwick, "turning it into a fortress, as it has already done at Heathrow." This would force independents to move to Stansted.

Air Europe has already applied to the Civil Aviation Authority, which regulates the UK airline industry, to revoke the BCal licences to fly short-haul in Europe.

BCal indicated that it would fight to hold on to its routes.

Mr Michael Bishop, chairman of British Midland, said later he agreed that the merger plan should go to the Monopolies Commission, to ensure a thorough debate. Any approval for the merger ought to be conditional, with BA required to give up routes at Gatwick and Heathrow where there were conflicts of interest. This would allow the independents chance to compete, he said.

Mr Derek Davison, chairman of Britannia, also urged a referral because of the serious implications for the airlines' markets, the use of airports and the Government's competition policy.

Mr Richard Branson, chairman of Virgin Atlantic, while not as keen as other independents to oppose the merger, also favoured its referral to the commission.

"The exciting thing is the fall-out. They will have to give way on routes like Hong Kong and Los Angeles and we will make a bid for those routes," he said.

Mr Mike Kay, commercial director of British Air Ferries, saw the merger as an opportunity for BA to give up its low-density marginal operations.

SE acts on slow transactions

BY CLIVE WOLMAN

SIR NICHOLAS GOODISON, the Stock Exchange chairman, yesterday announced unprecedented measures to penalise member firms which miss deadlines for processing paperwork on share transactions, amid signs that several firms are being overwhelmed by the upsurge of trading.

Some firms have bargains dating back to January which have not yet been settled by the transfer of money and share certificates. The total value of bargains which have missed two settlement date deadlines is now estimated at several billion pounds.

In a letter to securities firms, Sir Nicholas announced the following measures:

● The Stock Exchange Council is taking the power to impose fines on firms which fail to settle bargains "in a timely and efficient manner."

*Offending firms may also be named publicly.

*The Council will initiate the purchase of shares and delivery of share certificates to force through the settlement of old bargains. The firm responsible will be charged the full transaction costs.

*Firms with old unsettled bargains where the share price has moved in the wrong direction will have to increase their capital to allow for the risk of insolvency. The detailed rules will be published next month.

* The Government has been asked to restrain the frequency of privatisation issues so that no more than one set of share allotment letters, which have to be processed manually, is being traded at any one time.

* Company registrars are being asked to speed up their handling of certificates and certified transfers.

* Meetings are to be held with member firms to disentangle settlement problems. Each firm is required to nominate a senior executive responsible for its settlement performance.

The problems arise from the upsurge of share trading since last October's Big Bang reforms. Trading levels reached new peaks this week, with 73,500 bargains being recorded on Monday and total transactions worth more than £3.2bn recorded on Thursday.

The first crisis erupted last December when large numbers of buyers and sellers of shares could not be matched. That problem has been alleviated by additional computer montioring, rule changes and assistance from Stock Exchange staff.

The level of matching is still unsatisfactory, but since April an additional problem has emerged, Sir Nicholas says — the backlog of matched but unsettled bargains.

MC 2 88½

"The roblem is essentially one of volume," Sir Nicholas says. "There are simply not enough trained and experienced operational staff throughout the securties industry."

Harvard turned down by SE

BY CLIVE WOLMAN

HARVARD SECURITIES, largest of the unofficial UK over-the-counter market-makers in securities, has had its application for Stock Exchange membership rejected after waiting for 12 months.

The move was made by the Stock Exchange's membership committee. It is expected to mark the start of a bitter legal battle to prevent Harvard from being shut down and to be the first legal test of the new City regulatory system.

The exchange rejected Harvard on the grounds that it had failed the test of being a fit and proper firm. A notice of rejection is to be sent to Harvard next week once the Stock Exchange Council has been informed of the decision.

The committee was unable to make any specific charge of misconduct against the firm, but it found that investors had lodged a large number of complaints about the firm with the regulatory authorities.

Last month the Department of Trade and Industry launched an inquiry into Harvard following the liquidation and near-collapse of two other companies whose shares the firm had promoted.

The Stock Exchange has no official access to the DTI files but Mr Tom Vallance, Harvard's compliance officer, said that it had kept the exchange fully informed about the progress of the inquiry and the reasons for it.

Harvard has the option of appealing against the decision to a Stock Exchange tribunal. If this process fails, it can apply for authorisation to The Securities Association — The Stock Exchange's successor self-regulating organisation, which is unlikely to overturn the decision—or to the chief City regulatory board, the Securities and Investments Board.

If Harvard fails to gain authorisation from either of these bodies, it will have to cease operating as a securities and investment advisory firm once the Financial Services Act comes into force in about six months. The only alternative would be an appeal to the courts, a step it has previously taken against the Stock Exchange during the last ten years of recurring disputes.

Harvard applied to the exchange last July but elicited no response for ten months. Meetings were finally arranged at the end of May but in early June the DTI launched its own inquiry.

Meanwhile trading in Harvards' shares, which are quoted at Nasdaq, the US electronic stock market, has ceased since Thursday when Harvard announced that a substantial change in its share ownership was under negotiation.

Italian court nullifies warrants for Vatican official

By Alan Friedman in Rome

ITALY'S SUPREME COURT yesterday declared null and void the arrest warrants issued for Archbishop Paul Marcinkus, chairman of the Vatican Bank, and two other officials charged with having been accessories to the fraudulent bankruptcy which caused the 1982 crash of Banco Ambrosiano.

The Rome-based Court of Cassation had been widely expected to uphold the validity of the Marcinkus warrant, issued last February by Milan magistrates.

In a four-year investigation, the magistrates had painstakingly pieced together Mgr Marcinkus's alleged involvement in the corrupt affairs of the late Roberto Calvi, the Ambrosiano chief whose body was found in June 1982 hanging from London's Blackfriars Bridge.

The Vatican bank—known as the Istituto per le Opere di Religione or IOR—owned 10 of the overseas dummy companies to which Ambrosiano lent US$1.3bn (£798m at current exchange rates). The money, which investigating magistrates say was embezzled to these Vatican-owned companies, was never recovered and led to the bank's collapse.

It was not yet clear last night whether the Rome court's ruling would mean that Mgr Marcinkus will be able to avoid being tried in absentia. The court's reasoning will only be disclosed in a few days.

Acting on an appeal by Vatican lawyers, the court also nullified the 26-page warrant which accused the 65-year-old American-born Mgr Marcinkus of collusion in Roberto Calvi's "continuous and specific embezzlement, concealment and destruction of the bank's capital."

Since the arrest warrants were issued, the archbishop has been a prisoner inside the walls of the Vatican, unable to set foot on Italian soil for fear of arrest. The Pope stepped into the matter recently to defend his friend and former bodyguard.

NO 15—8/8½

Last night, Mgr Marcinkus said: "My only comment is that I am happy with the results. My faith has been restored in Italian justice."

When asked to explain why the Vatican two years ago paid 120 international bank creditors of Ambrosiano $241m "in recognition of moral involvement" in the Ambrosiano crash, Mr Marcinkus said: "I guess you'll just have to ask those who wanted the payment."

The Supreme Court's ruling, in the view of several Vatican watchers and magistrates, could have been influenced by political concern over the deteriorating state of relations between the Holy See and the Italian state in the wake of Rome's recent demand that Mgt Marcinkus be extradited to stand trial.

MC 2 88½

The Court decision was doubly surprising, because it went against the court's own official state presecutor, who argued only a week ago that the case against Mgr Marcinkus was solid and the proof of fraud concrete.

Last night the first protests were heard in parliament against the court's ruling. Several left-wing MPs were outraged at what they described as a "very strange" supreme court ruling which in their view represents a miscarriage of justice.

THE LEX COLUMN

Froth on the daydream

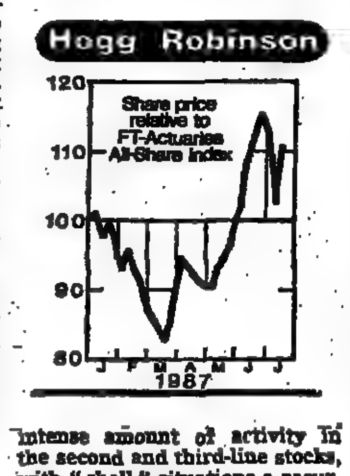
It is far too early to talk of a major correction to the upward momentum in the London equity market, of course, but yesterday there were unmistakeable signs that one or two securities houses were changing their position on the market as a whole from buy to hold. So whereas attempts by market makers earlier in the week to trigger a reaction in prices was met with just a further wave of buying, yesterday's tree-shaking was a rare success, with the market closing lower for the first time since Wednesday last week.

On the face of it, there was no reason for the market to end the week on a querulous note: the Government had just announced a big funding surplus for the month of June. And unlike the previous week there were no weighty cash calls. Instead there was a spate of takeover bids, traditionally the equity market's nirvana, since they both take money out of the market and stimulate the shares which remain. Doubtless the soothsayers of the market are looking further ahead, to the wave of government share issues from BAA right through to British Petroleum in October. Yet as the second quarter began the institutions were sitting on a pile of cash about £4bn higher than the one they possessed at the same stage last year.

It seems most improbable that the market will face cash calls £4bn bigger than those made in the second half of 1986, particularly as the prodigious level of privatisation proceeds should do much to restrain the Government's requirements for funding in the gilts market. Yet there is a vicious circle here: the more the equity market goes up, the more the Government's stock is worth, and therefore the greater the weight of the shares when they are unloaded. For example the Government's remaining stake in BP is now worth about £2bn more than it was in May when the Government announced its plans to sell the stock.

There are some tell-tale signs that the market is not in a fit state further to inflate the value of the Government's holding — or those of any other would-be vendor. Much of the recent buying has not been broadly based, or even targeted at main-line bellwether stocks. Rather, there has been an

Index fell 9.3 to 1916.9



intense amount of activity in the second and third-line stocks, with "shell" situations a recurring and rather unwholesome theme. Second, the analysts are increasingly looking to the prospective earnings of 1988 to justify the market's rating, which suggests that very little is being left on the table to sustain share price growth during the rest of the year.

While those share prices are moving ahead, the exiguous yield on the All-Share — no more than 2.85 per cent — is no great worry. But if prices start to fall steadily, then the paucity of steady income from fresh equity investments will be much harder to justify. The market is right to pause for thought.

Hogg Robinson/TSB

Hogg Robinson reacted sniffily to TSB yesterday, just as it has given a negative response to every other approach in recent months. The only previous deal which surfaced was a plan to merge the group's insurance arm into Fenchurch Insurance a division of Guinness Peat, but there appears to have been other proposals on the table. Instead Hogg has ploughed on with its own demerger proposal, whereby the travel and estate agency side would be hived off from the insurance side. But TSB has carefully judged its intervention to give itself time to block this separation plan, which is due to be voted on by shareholders a week on Monday. Its merchant bank Lazard will be lobbying institutional shareholders, and TSB will be launching an advertising campaign to reach other investors.

But the 600p is far from being in the knockout category, with the shares climbing expectantly to 622p last night. And the choice of Mr Robert Holmes a Court as a partner to buy the insurance operation, which TSB does not want, looks opportunist, and is unlikely to enthuse the Hogg Robinson men. Mr a Court is operating through Dewey Warren, a flimsy vehicle for this size of deal, though of course the Bell Group's resources are behind it (and Dewey Warren is also punting heavily in the shares of Morgan Grenfell).

For TSB the net cost of buying the chains of travel and estate agents would be £166m, following swiftly on the £220m paid for Target Group. Along with other outlays, that would absorb much of the £650m raised from the first instalment for last September's issue, but with a similar sum to be received from the second 50p a share payment next September, TSB can keep drawing up its shopping list.

TSB is still a long way from gaining its prize, but its proposed deal has a curious resemblance to the other big financial deal of the week. British and Commonwealth's agreed offer for Mercantile House. Swallowing a whole financial conglomerate and then spitting out the unwanted bits seems to be the latest fashion.

Harvard Securities

While it was regulated by the Department of Trade and Industry, Harvard Securities prospered as a maverick securities dealer. But one implication of the passage of the Financial Services Act was that eventually Harvard would be at the mercy of its old enemies at the Stock Exchange. The rejection of its membership application is not yet the end of the line for Harvard, but the buffers are coming into sight.

Harvard may argue that the Establishment is ganging up against it because of its nonconformist approach. But the harsh fact is that Harvard's activities have simply generated too many complaints from the public, and even the easy-going DTI has recently launched a probe, focusing on the collapse of two of Harvard's client companies.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES					
Alpine Soft Drinks	†83	+ 7	Mowlem (J.)	536	+ 12
Bestwood	165	+ 22	SEET	190	+ 14
Clarkson (Horace)	160	+ 17	Triton Europe	244	+ 12
Davy Corp	234	+ 7	United Biscuits	352	+ 9
GEC	247	+ 10	United Packaging	215	+ 15
Hampson Inds	101	+ 8	FALLS		
Hobsons Publishing	204	+ 11	Airflow Streamlines	231	− 22
Hopkinsons	204	+ 11	Bejam	263	− 22
Jaguar	594	+ 13	British Gas	193	− 7
LASMO	374½	+ 6½	Britoil	337	− 11
Marler Estates	£12¾	+ 2	Oliver Res	77	− 8
Matthews (B.)	195	+ 22	Rank Org	782	− 38
Miss Sam	237	+ 45	Trimoco	75	− 8

† Price at suspension.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	30	86	Dallas†	R	24	75	Madeira	S	25	77	Prague	T	27	81
Algiers	S	31	88	Dublin	C	17	63	Madrid	C	26	79	Rykjvk.	F	15	59
Amsdm.	C	17	63	Dbrvnk.	S	29	84	Majorca	S	30	86	Rhodes	S	27	81
Athens	S	31	88	Ednbgh.	R	13	55	Malaga	S	30	86	Rio J'o†		—	—
Bahrain	S	37	99	Faro	F	23	73	Malta	S	30	86	Rome	F	29	84
Barclna.	S	30	86	Florence	S	30	86	M'chstr	C	17	63	Salzbrg.	F	28	82
Belfast	C	15	59	Frankft.	F	24	75	Melbne.	F	14	57	S'ciscot	F	13	55
Belgrd.	S	32	90	Geneva	C	18	64	Mx. C†		—	—	Seoul	F	27	81
Berlin	C	26	79	Gibrltr.	S	29	84	Miami†	S	27	81	Singapr.	F	31	88
Biarritz	R	19	66	Gl'sg'w	R	14	57	Milan	F	26	79	S'tiago†		—	—
Bmghm.	C	17	63	G'rnsey	R	15	59	Montrl.	S	19	66	Stckhm.	F	20	68
Blackpl.	F	16	61	Helsinki	S	17	63	Moscow	C	15	59	Strasbg.	C	22	72
B. Aires		—	—	H. Kong	F	30	86	Munich	S	26	79	Sydney	F	20	68
Bombay	F	30	86	Innsbrk.	F	25	77	Nairobi	C	21	70	Tangier	C	24	75
Bordx.	F	21	70	Invrnss.	R	12	54	Naples	S	31	88	Tel Aviv		—	—
Boulgn.		—	—	I. o. Man	R	13	55	Nassau		—	—	Tenerife	Dr	24	75
Bristol	C	19	66	Istanbul	S	29	84	Nwcstl.	C	16	61	Tokyo	F	32	90
Brussels	R	19	66	Jersey	C	15	59	N Delhi	S	36	97	T'r'nto†	S	15	59
Budpst.	S	32	90	Jo'burg	S	15	59	N York†	S	21	70	Tunis	S	34	93
Cairo	S	35	95	Leeds	C	14	57	Nice	F	27	81	Valencia	S	32	90
Cardiff	F	18	64	L. Plms.	F	26	79	Nicosia	S	32	90	Venice	F	27	81
Cape T.	C	17	63	Lisbon	C	23	73	Oporto	C	19	66	Vienna	S	30	86
Chicg.†	S	20	68	Locarno	C	21	70	Oslo	S	22	72	Warsaw	S	25	77
Cologne	C	20	68	London	C	15	59	Paris	C	16	61	Wshgtn	S	21	70
Cpnhgn.	F	20	68	L. Ang.†	Dr	16	61	Peking	S	33	91	Wellgtn	S	11	52
Corfu	S	33	91	Luxmbg.	R	16	61	Perth	C	15	59	Zurich	F	23	73

C—Cloudy. Dr—Drizzle. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

TSB bid Continued from Page 1

price of £282m is 22½ times earnings and would not be increased unless an alternative bidder appeared, TSB said.

Shareholders will be offered 600p a share in cash or a loan note alternative. Hogg's share price closed up 33p at 622p; TSB's finished 1½p higher at 89p.

At the same time Dewey Warren had its share on the stock exchange suspended and said it had agreed to buy a 4.5 per cent stake in Morgan Grenfell, the merchant-banking group, for £33.5m.

This shareholding had previously been registered under a nominee share account run by the Bank of England but was actually owned by Kuwait Investment Office, the investment arm of the Kuwait Government.

Mr Holmes a Court's ambitions towards Morgan Grenfell, and the relationship between these and the Hogg bid, are unclear. A possible link is provided by the fact that KIO is the largest shareholder in Hogg. It recently increased its stake in the group from 7 per cent to just more than 9 per cent and is understood to be likely to back TSB's bid unless a third party makes a better offer.

Continued from Page 1

Guinness

an inquiry into where the £5.2m had gone after being paid to a Jersey company, Marketing and Acquisition Consultants, for Mr Ward. In practice the inquiry will only be concerned with whether $90,000, paid by MAC on Mr Ward's instructions to a company named Martin Bird and Associates for the purchase of a boat, came out of the £5.2m.

There is still outstanding that part of Guinness's action in which the company alleges that Mr Saunders breached his fiduciary duty in relation to the £5.2m payment to Mr Ward. It would be open to the company to seek from Mr Saunders any part of the £5.2m plus interest that it is unable to recover from Mr Ward.

France severs ties Continued from Page 1

pected terrorists charged with last September's wave of bombings in Paris.

There has been some concern, however, over whether Iran will retaliate by refusing to allow the departure of Mr Paul Torri, France's first secretary in Tehran, who has been accused by the Iranian authorities of a range of crimes ranging from spying to antiquities smuggling.

The dispute with Iran the first time since 1973 that a complete break in France's diplomatic relations has occurred, and only the fourth time since World War Two. The last rupture came when Peru severed relations in protest at France's nuclear tests in the Pacific Ocean.

France is to inform the other members of the European Community as well as the United Nations Security Council, but is not expected for the time being to ask its allies to break off relations with Iran.

The policy of normalising relations with Iran was suspended two weeks ago when the refusal of Mr Gordji to be interviewed by the French police escalated into a crisis. However, progress had already almost slowed to a halt, with trade between the two countries greatly reduced and few further advances in the settlement of the financial dispute over repayment of Iran's $1bn (£621.7m) loan to the French nuclear commission.

A place in the crossfire, Page 7

WEEKEND FT

Saturday July 18 / Sunday July 19 1987

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The richest county in China

David Dodwell on how Hong Kong is pouring investment into the mainland

MR CHAO KWOK, his vast belly swaying under a grubby white vest, was vigorously, and perhaps a little drunkenly, swapping toasts with a tableful of senior party cadres who were visiting Changping for the day from Canton.

Despite his best efforts to put on a workaday—even shoddy—appearance, there could be no disguising the fact that behind wide smiles betraying an empty upper gum and a lower gum littered with gold, Mr Chao was in local terms a man to be reckoned with. In Changping he is a prodigal returned; a patriot who has shown filial piety by returning to his home town.

He has set up three factories there, and has almost finished a three-storey home that would rank as a gentrified mansion wherever he lived in the world. For Mr Chao, who later pottered around his hundreds of expensive potted Bonsai trees as he showed the same speechless officials around his prodigal home, this has been the fulfilment of a dream.

In Hong Kong, the likes of himself are two-a-penny, and he would have to be a billionaire—rather than a mere millionaire—to afford the sort of home he has built for his retirement in Changping. Back in his ancestral town, he is "Mr Big" — and he clearly enjoys it.

Mr Chao is not alone in responding to the ancestral call of Changping. About 130 factories are processing goods for Hong Kong manufacturers, employing 20,000 people in a town that has a population of no more than 52,000. Changping is just one of 32 townships in Dongguan, a municipality of 1.2m people just two hours driving time from Hong Kong on the road to Canton, which occupies an unique place in mainland China's race to modernise its economy.

A combination of factors—closeness to Hong Kong, ancestral ties with about 830,000 overseas Chinese, a richly endowed local economy and a sense of dynamism uncommon in such a bureaucracy-ridden country—has made Dongguan the richest municipality in China.

Burgeoning exports to Hong Kong and a proliferation of investments from the British territory have lifted living standards into the stratosphere by comparison with more normal parts of the People's Republic.

And yet Dongguan is by no means the only beneficiary of this intimate relationship with Hong Kong. It is now clear that manufacturers in the British territory would have been unable to maintain price competitiveness in the world's export markets if they had not been able to exploit the cheap labour markets of places like Dongguan.

Mr Chao is one of thousands of Hong Kong Chinese who have in the past five years expanded their successful Hong Kong-based businesses into China. Indeed, it has become the norm for Hong Kong's textiles, electronics, toy and watch manufacturers to set up all new manufacturing operations in the territory's Chinese hinterland. As job opportunities in the local manufacturing sector have remained stagnant, only the surge in service industries has kept the territory in full employment.

Mr Gordon Wu, the ebullient head of Hopewell Holdings in Hong Kong, which is involved in a wide range of construction and infrastructure projects in the Pearl River delta, reflects an increasingly widespread conviction when he predicts that Hong Kong will eventually become "the shop front," while the Pearl River delta hinterland acts as "the factory."

"Hong Kong and Guandong together will be able to compete with South Korea and Taiwan, and give them a run for their money," predicts Mr Wu.

Hong Kong operations in Dongguan account for about 150,000 workers. Across the entire Pearl River delta it is estimated that there are in total about 10,000 such ventures, with more than a million of Guandong's 62m population working for Hong Kong companies.

The scale of Hong Kong's dependence on this workforce is perhaps most vividly illustrated when it is recalled that the territory's *own* total workforce is only 2.6m. Small wonder, then, that China has in the past two years become Hong Kong's main trading partner.

Political sensitivities over China's resumption of sovereignty in 1997 mean that many would rather not spell out the extent to which Hong Kong now depends on its Chinese hinterland. In addition, Hong Kong textile manufacturers, harassed by officials in the US and Europe over *quota* allocations and country of origin queries, are wary of drawing detailed attention to where their shirts, dresses or fashion pullovers are really made.

The modest municipality of Dongguan plays an exceptional but illustrative part in this extraordinary symbiosis between Hong Kong and China. It also provides a vivid example of how inextricably linked Hong Kong's future is with that of mainland China—10 years ahead of China's formal resumption of sovereignty.

Mr Allen Lee, a legislative councillor in Hong Kong who has at the same time established a state-of-the-art electronics plant in Dongguan, has no illusions: "If it were not for China, and its open door policy, we in Hong Kong would not be where we are today."

Paolo di Paolo

Mr Chao would agree, only adding, perhaps, that if it were not for Hong Kong, China—and in particular places like Dongguan—would also not be where it is today.

One of Dongguan's earliest claims to fame was as a firework manufacturer in the 16th century, when sticks of bamboo were stuffed with gunpowder, and stuffed into fires at any festive occasion. Technology has moved on from those days, but Dongguan remains arguably the largest pyrotechnic centre in the world.

However, Dongguan's strongest modern-day links with the outside world are as a supplier to Hong Kong. The town's famous "Peacock" brand rice noodles account for about one-fifth of the noodles sold in Hong Kong. Up to 30,000 tonnes of fresh vegetables are sold to Hong Kong each year. Dongguan sausages are a delicacy for most Hong Kong people.

The Dongguan area is also famed for its lychee orchards. During the hectic 20-day harvesting season that has just ended, about 2,500 tonnes of these delicate red-shelled fruits were exported to Hong Kong.

Add China's largest banana plantation, great tracts of delta land devoted to sugar cane, and one of the country's largest mandarin orange crops, and you have an area of considerable agricultural importance, supplying canning industries, soft drinks factories, and a substantial biscuit-making operation.

Even more critically, Hong Kong relies on Dongguan for its water supplies. About 70 per cent of the territory's fresh water is pumped from the East River — a major tributary of the Pearl River — at the town of Kiutao in Dongguan.

So large is the community in Hong Kong of people of Dongguan origin that they are represented not simply by one Dongguan association, but by 17 clansmen's associations linked with particular townships.

Most of the television sets, washing machines, tape recorders and the like that grace most Dongguan homes have been brought in as gifts by relatives making their annual Chinese New Year pilgrimage to their ancestral town. Just over 100,000 came to visit during this past spring.

Donations from Dongguan people in Hong Kong have built hundreds of miles of road in the area, have made bridge building possible, and have endowed dozens of schools, hospitals and libraries. About 40 per cent of the cost of the municipality's new polytechnic, due to be completed next year, will be borne by donations from about 20 Hong Kong compatriots.

But the most powerful consequence of the open door policy has been the awesome scale of inward investment of Hong Kong manufacturers. Apart from the 1,900 processing ventures, Dongguan has attracted 243 equity and co-operative joint ventures, with a committed investment of $188m.

This underpinned an export performance that compares favourably with many entire provinces in China, rather than municipalities.

This heavyweight economic performance was mirrored, in 1984, in a literal and larger-than-life way when three weightlifters from the township of Shilong, on the banks of the East River in Dongguan, walked away from the Los Angeles Olympics with two gold medals and a silver medal. China's total for the whole games was just four golds, so the fame of Shilong has been trumpeted across the nation. One of the gold medallists, Chen Weiqiang, is the nephew of two brothers who were setting weightlifting world records in the 1950s. The oldest Chen, Chen Jinkai, is renowned not just in Shilong but nationwide. A great bronze statue of a weightlifter towers over the town square. A special weightlifting school for 62 boys and 10 girls has been set up nearby.

Yip Heungsin, party deputy secretary in Shilong, pours cold water on the idea that there is something in the water of the East River that breeds its weightlifters: "They are not born. They are the product of hard training," he says. He insists that old Mr Chen has been an inspiration to the township, and one is tempted to feel that some of that inspiration has rubbed off on Dongguan's unusually energetic, un-hidebound administration.

One direct result of its love affair with Hong Kong is a construction boom in the Dongguan area that has converted almost the whole municipality into a building site. Officials say that nine out of every ten farming families now own their homes. Villages that in other parts of China would be peeling wattle and daub structures are choked with three-storey houses topped with extravagant golden-tiled roofs.

Municipal statistics show that average urban salaries amount to about 50 per cent above the national average. But workers in any of the local toy factories — and Mattel, Perfecta and Kader all have large factories in the county — are earning sums that may still be about a third of the average wage paid to a Hong Kong factory worker, but are unimaginable fortunes to most mainland Chinese families.

"People used to gossip about ten-thousand yuan households a couple of years ago," says Liu Suji, Dongguan's Vice-Mayor: "Today, no-one would be impressed unless you could say you were a one-hundred-thousand household —and there are plenty of these around."

This affluence raises important issues for foreign investors and the Peking authorities alike. Widening disparities between municipalities in Guandong and those in China's interior have the potential to cause serious political friction over national economic policies. Investors who set up factories inside China to exploit the country's cheap labour structure are beginning to find that the wage gap between China and other countries in the Pacific region is narrowing. For them, it is a matter of relief that large armies of migrants are being recruited into Guandong from as far afield as Anhui, Hunan or Hubei provinces, to meet the rising demand for labour. These fresh labour supplies not only help to relieve the pressures of a tightening labour market, but also bring into the area workers whose wage expectations do not yet match those of local people.

Deborah Wong, who with her American husband employs about 800 people in a toy factory in Changan in the extreme south of Dongguan county, says about half of her workforce comes from outside Dongguan. Since most of these are girls, who return to their own provinces to get married after a couple of years of remitting their incomes back home, they have very little inflationary impact on wage levels. They are replaced by girls newly arrived from the interior, who are equally in awe of local salary levels.

It is at first sight puzzling why Hong Kong manufacturers should have descended in such numbers on the county of Dongguan. Many have traced back their ancestral roots, but many more—including Deborah Wong, who came originally from Zhongshan in the Foshan area, or Allen Lee, whose native province is Shandong—have chosen the municipality for more commercial reasons.

They have wanted to make investments close to Hong Kong—to maximise control over their ventures—but have been reluctant to invest in Shenzhen, the special economic zone adjoining Hong Kong, or in Baoan county, which contains Shenzhen and is sandwiched between Hong Kong and Dongguan.

Allen Lee had his own reasons for basing his high-technology factory in Dongguan, making copper-clad laminates (from which electronics manufacturers make their printed circuit boards): "There is simply less bureaucracy in Dongguan," he said.

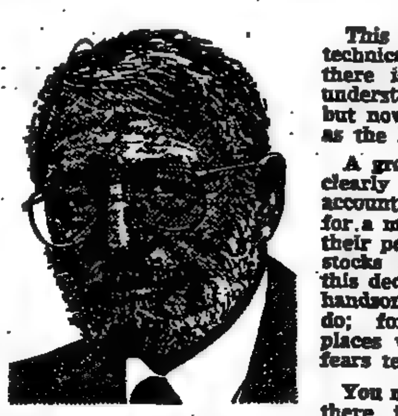
Already it is inconceivable that Hong Kong manufacturers could compete without the economies that come from production in China. It is possible, at the same time, that the interdependence with municipalities like Dongguan can eventually be the catalyst for economic takeoff in China's more sheltered interior provinces.

As Gordon Wu commented: "It seems to be a perfect marriage." Perhaps the honeymoon is still too fresh in people's memories for his prediction to be put to any test. If he is right, then those predicting doom for Hong Kong beyond 1997 can put their feet up and relax. But if he is wrong then there are likely to be some pretty grisly divorce proceedings ahead for Hong Kong's entire manufacturing sector.

The Long View

When Polonius's rules don't apply

The world-wide rise in money supply and stock prices reflects a greater willingness among ordinary citizens to borrow and to lend. Could this mean high values are here to stay? asks Anthony Harris



ONCE UPON a time banks held nearly three-quarters of their assets in Treasury bills and other government paper. When demand for loans rose they met it (if they were allowed to) by selling some of this portfolio; and the government itself, or rather its central bank, normally stood behind the market as buyer of last resort. While it would often take the opportunity to edge up interest rates a little, to discourage borrowing and spur saving, it did "print" the money in this way.

This was not, by the way, a literal description, though many old men in the City seemed to have a mental picture of the presses churning out banknotes, and used to raise an endless cry for Parliament to limit the fiduciary issue, as it did when the note first became a Bank of England monopoly. In real life, as Sir Leslie O'Brien (whose signature appeared on the notes) told the Radcliffe Committee, it was all a matter book entries.

It is not difficult to see how this process, which created spending power without any corresponding saving, was potentially inflationary. If demand was slack, well and good; if not, we had what Clement Attlee used patiently to explain as too much money chasing too few goods. He would then get his Chancellor to impose a squeeze.

Things are radically different these days. Banks depend almost entirely on deposits by the public to finance their lending. These deposits mainly represent genuine saving, as is shown in the aggregate by the fact that despite the explosive growth of consumer borrowing in the English-speaking countries, consumer spending keeps pretty closely in step with consumer income.

This explains why monetarism has come unstuck. The rise in bank intermediation which we call broad monetary growth does not imply a net addition to demand, but a rise in both saving and borrowing.

Polonius (whose advice was neither a borrower nor a lender to be) would have been appalled; but finance ministers are learning to live with numbers. They no longer seem to foreshadow inflation. On the contrary, we now seem to live in a world where too much money is chasing too *many* goods (to pirate a neat phrase from Brian Reading).

Credit may be growing at a rate which seems imprudent to Brian Quinn of the Bank of England, and may indeed get individual borrowers into very deep water; and money is growing at a rate which must make Sir William Rees Mogg glad he turned to bookselling. But nearly every goods market on earth, from soyabean oil to computers, is glutted.

This may seem a dull and technical story so far, though there is some reassurance in understanding these matters; but now we come to the beef, as the lady said.

A growing number of savers clearly regard a high-interest account as altogether too tame for a modern saver. They and their pension funds are buying stocks instead. Up to now this decision has paid off most handsomely, as it was bound to do; for stock markets are places where both wishes and fears tend to be self-fulfilling.

You might imagine that since there is a seller for every buyer, the world as a whole cannot increase the proportion of its wealth represented by stocks, any more than the demand for land can increase the supply (apart from new issues in the first case and Dutch-style reclamation in the other). But the rise in prices works the trick: broad money, or old-fashioned saving, has grown fast, but stock values have grown much faster. Prices reflect asset preferences.

Some readers may find that vertigo sets in here. If the great bull market reflects no more than an investment fashion, it could well collapse as soon as skirts come down. (This was actually a fashionable investment theory in the days of swinging Britain, and a lot of psychological claptrap was written about it.)

While there is something in this, the gloom is easily overdone. This rise in saving, the result of tax changes and aggressive marketing by the finance industry, looks fairly stable. The level of stock prices, in the UK at least, does not look too irrational against the fundamentals: prices have only recently matched the underlying asset values at replacement cost, and profits have been rising broadly in step with the market.

There are certainly some dangers. Bull markets never end smoothly, because prices reflect the hope of ever-rising prices, and correct sharply when that hope is at a discount. This will cause some shock to the real economy when it happens, as savers feel poorer.

A rather greater danger is that consumers will come to share Quinn's worries about their debt burden, and stop borrowing; this would be highly deflationary if savers still wished to save as much as ever (the Keynesian trap). However, one must not be insular in this world economy: American borrowers may be stretched, and British borrowers in sight of it, but the Japanese and Germans, among others, have barely begun to borrow.

Provider that demand growth does not falter unduly (and this is the big proviso) a bull market does have a function in the real economy. It greatly reduces the cost of enterprise capital, and so helps to encourage investment in new productive capacity. This, indeed, is the normal sequence in an economic upswing: the real investment boom is quite a late entrant.

In the longer run, we face also the age problem. The retirement boom which is already worrying governments from London to Tokyo will not happen until the next century; but when it does, the retired may be net sellers.

You can start worrying about that any time in the next two decades. It's not so much a matter of judgement as temperament. The sanguine won't, the melancholic can't be stopped. Me, I'm phlegmatic.

CONTENTS

Arts: Pinter at the Avignon Festival	XV
Books: The Hitler years revisited	XIV
Diversions: Playing the frame game	XIII
Gardening: Scent from heaven	XII
Property: The meaning of luxury	VIII
Travel: England's unsung isles	XI

Arts	XV	Finance & Family	IV-VII	Stock Markets:	
Books	XIV	Gardening	XII	London	II
Bridge	VII	How to Spend It	XIII	New York	III
Chess	VII	Motoring	XI	Australia	III
Crossword	XVI	Property	VIII	Travel	XI
Diversions	XII-XIII	Sport	XVI	Wine	XIII

Inevitable setback

CHOCKS away? Not quite. British Airways, with its controversial £240m bid for British Caledonian, and BAA, with heavy oversubscription, did their bit to drive the market to new peaks on Thursday—the climax to an unbroken six-day run.

Yesterday though, the spell broke. Under the weight of some hefty profit-taking the FT-100 share slumped 24 points by mid-morning, but then recouped one-third of that to end 14.7 points lower at 2428.7.

Until then, London's latest surge had been impressive. The FT-100 Share index added 11 points on the previous Friday, and more than 61 points during the first four trading days this week.

Factors behind the bullishness were not hard to find. Takeover activity is in full swing, prompting speculative jumps all round. The pound firmed against a weak dollar mid-week, boosting gilts and gold. And there was a generally comforting flow of economic statistics—most notably, the 1 per cent rise in manufacturing production seen during May which stiffened the belief that the year-on-year rate of output growth is running at an extremely healthy 4.5 per cent.

True, this latter trend drew little comfort from the rather thin supply of results last week —Rank Organisation's *impressive* 29 per cent increase in half-time profits to £90.1m benefited substantially from currency movements and Dixons worried everyone by mentioning that it had looked at the MFI auction prospectus. But then again, the market also had no unexpected cash calls—indeed, none at all—to worry it.

The set-back yesterday was inevitable, accentuated by the weakening pound. Even the longer-term bulls were starting to sound cautious, pointing to the large amount of froth and fairly thin business. As Warburg Securities put it: "The

London

market appears to be driven by only a few stocks." That, coupled with the high level of small company activity, "creates considerable unease," Warburg added.

Small investors, of course, had a redoubled interest in equity levels as they tussled with their BAA applications. Many made it through the downpour to hand in their forms before the 10 am close on close on Thursday.

Not surprisingly, the fixed-price part of the offer was heavily oversubscribed with the number of applications — 2m-2.5m—beating Rolls-Royce (a similar-sized issue). But the tender gamble also appears to have paid off — the 25 per cent being sold via this route pulled *in more than 70,000* applications, leaving worries about a ballot on the first score and a cut-off price above 270p suggested on the latter. The result of the fixed price was being announced today.

However, developments on the bid front really dominated the market this week. The political turmoil created by British Airways' announcement of an agreed £240m offer for British Caledonian must have seemed bitter-sweet revenge for all those months BA sat on the privatisation runway.

But reaction in the City, more concerned with the financial implications of the deal, was welcoming. Shares in BA jumped 10p to 170p as analysts argued that a combined BA/BCal would boost the heavyweight look internationally and be only lightly-dilutive in terms of earnings per share during the current year.

The only shadow is a potential Monopolies Commission inquiry. The UK independents will state their case hard, and can expect a good deal of political backing. As the odds sank in, BA shares slipped back 4½p on Friday morning.

The off-on talks at Mercantile House, meanwhile, were finally on, with John Gunn's British and Commonwealth agreeing to pay £490m in what is effectively a break-up bid. B and C will hang on to the Oppenheimer investment management side — which now accounts for about one-third of Mercantile's business—and combine it with the existing Gartmore stable, to put funds under management at £10bn.

Gunn will recoup around £75m through the sale of Alexanders Laing and Cruickshank, the broking and discount house, to Credit Lyonnais, and fetch a rather larger sum by selling-on the money-broking and fixed interest sides of the business in due course. With £300m being pencilled in as the possible proceeds from these further sales, the price for Oppenheimer appears to be an attractive £120m-odd — and B and C shares leapt 28p to 564p on news of the deal. Mercantile House, having swung with the various talk announcements, gained 46p to 534p.

Yesterday, the market got its third big deal of the week: the Trustee Savings Bank is bidding £282m cash—600p a share—for Hogg Robinson, a pre-emptive move which would prevent the company demerging its travel and insurance broking operations. But the TSB still plans to sell-on the insurance side for £116m to Dewey Warren, where Robert Holmes à Court's Bell Group has a 42 per cent stake.

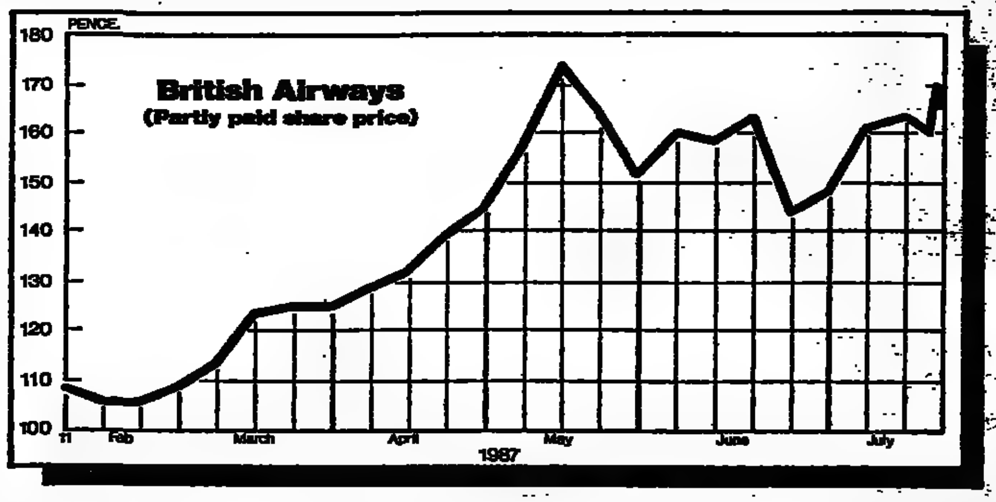
Holmes à Court seemed to be everywhere. Dewey Warren confirmed yesterday that it had agreed to buy a 5 per cent holding in merchant bank Morgan Grenfell—adding another 31p to the Morgan price yesterday morning. And earlier in the week, Bell announced a 4 per cent stake in Sears, the stores and footwear giant, having written put options involving another 1.26 per cent of the shares. A clever way of disclosing an interest without laying out any money, decided the market. By yesterday, Sears had eased back to 174½p.

Even then, the market wasn't satisfied — shares in Bejam surged a hefty 56p to 284p late on Thursday as dealers got wind of imminent bid rumours. Yesterday, amid silence or denials from the most obvious suitors, they were still waiting.

On the results front, Dixons had some reason to feel hard done-by when a 31.4 per cent rise in full-year pre-tax profits to £102.6m was greeted by a 10p fall to 363p. Within that, though, the dominant retail side improved by a fifth with financial services and property profits making the running. And Dixons' glamour rating has rubbed off a little in the wake of the Woolworth defeat with analysts wondering about the future UK direction (hence the MFI possibility).

But if £145m can be made this time, the prospective p/e is perhaps 15. And that, beside some *of the heady ratings being* thrown up in the present speculative run, looks positively reasonable.

Nikki Tait



A new home for BES

THE ANNOUNCEMENT yesterday of Neilson Leisure's offer for subscription highlights one major, and little-discussed, difference between the Third Market and its two larger siblings—it can provide a home for Business Expansion Schemes.

The BES has so far lumbered along for four years attracting sporadic attention with the occasional glamorous issue—like funding Britain's attempt to win the America's Cup—but by and large staying out of the limelight. It is hard to get excited about investments which cannot be sold for five years and the performance of which is difficult to track.

Nevertheless, around £150m was raised in the last financial year by BES funds and companies and the tax advantages of the scheme have attracted a loyal bunch of investors.

Provided that investors keep their holdings for the five-year period, they are exempt from both income and capital gains taxes—a sizeable incentive for those in the 60 per cent band.

Now, the Third Market offers a chance for BES companies to gain a higher profile and for investors to be given a daily check on the value of their holdings. In fact, Neilson Leisure is not the first BES-qualifying company to join the tier.

Unit Group—voted the best BES new issue of the year in 1986—was one of the market's very first entrants. The timber pallet manufacturer launched a £1.5m offer for subscription via the BES in December, and then applied to have the shares listed on the Third Market as soon as it opened.

The company passed its flotation forecast by recording pre-tax profits of £604,000 in the year to March 31 and its shares —which now are suspended pending the outcome of acquisition negotiations—stand at 140p, 18p above the flotation price.

So, Unit has been a solid, if unspectacular, success for Neilson to build on. The new entrant, however, is a completely different kind of company.

Neilson Leisure is a Leeds-based tour operator founded as Nord Afrik Travel by an Australian, Warren Sandral, in 1971. The holiday business is extremely volatile and so is the

Junior Markets

company's trading record; NAT slumped from profits of £785,000 in 1983 to losses of £1.13m the next year.

Although it recovered to make profits of £461,000 in 1985, the acquisition of Neilson from Nationwide Leisure brought not only a change of name but also a return to the red—losses for 1986 were £199,000. For the present year, ending October 31, pre-tax profits are forecast at £350,000, including a further loss at Neilson.

Some of the acquired Neilson operations are being closed down in an attempt to reduce its losses, but the company's record hardly seems to justify a prospective p/e of 17, at the placing price of 102p.

Will Neilson and Unit be the forerunners of a pack of BES Third Market companies? Certainly, the market could benefit from an infusion of new blood—the Stock Exchange's initial target of 60 entrants by the end of the first year looks a long way off. Already, Ardmore Petroleum has been swallowed up and Corton Beech has announced plans to join the USM.

Around 50 companies raised money through direct BES prospectus issues last financial year so, in theory, there could be a substantial influx. However, many companies are either too small or too fragile to warrant a listing, so perhaps only a dozen or so BES companies will join each year.

Robert Clinton, a director at Greig Middleton, says he expects BES companies to be eager to join the tier because of "the increased marketability and visibility of the stock." But while this psychological motive might be important, companies will need to attract institutional investors to make the move worthwhile—otherwise, there will be virtually no liquidity in the shares.

Although the five-year rule applies, there could be circumstances in which private investors will want to sell. "If the company performs well enough," believes Clinton, "BES investors might decide that the opportunity to take profits outweighs the loss of the tax privileges."

The companies themselves will not be allowed to move off the market until they have qualified under the rules of the scheme for at least three years. That makes them look a bit sluggish compared with those high-flying stocks which intend to stay for only a few months on the Third Market before moving on to the USM.

One worry for BES experts is that the limelight focus on the Third Market companies might put other schemes in the shade. Steven Rowe, managing director of BES Investment Research, says: "I'm in favour of BES companies joining the Third Market but I hope that investors will not make the mistake of thinking that the unquoted companies are somehow less attractive."

So, all the signs are that the marriage between the Third Market and the BES could be a distinctly volatile relationship.

Philip Coggan

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1987 high	1987 low	
FT Ordinary Index	1916.9	+ 48.1	1926.2	1320.2	Market confidence at peak
Abbey Life	322	+ 46	322	211	Good new business figures
Bejam	262	+ 33	262	158	Revived takeover speculation
Bellway	319	+ 35	322	160	Humberside development proposals
Blue Arrow	995xd	+193	999	388	Ahead of 5-1 share split
British Aerospace	624	− 25	689	510	Downgraded profits forecast
Control Securities	96	+ 27	102	15½	Property acquisitions from Heron Cpn.
GKN	399	+ 20	410	272	BTR bid hopes
Hogg Robinson	622	+ 82	622	351	600p a share bid from TSB
Jaguar	594	+ 30	632	514	Sales and production at record levels
Lloyds Bank	424	+ 31	435	293	Interim figures due Friday
Lonrho	306½	+ 20½	306½	223	Tokyo listing fully subscribed
Mackay (Hugh)	293xr	+ 65	305	118	Acquisition of Pendle Carpets
Mercantile House	532	+ 42	537	297	British and Commonwealth offer
Miss Sam	237	+111	237	96	Agreed bid from Blacks Leisure
Morgan Grenfell	540	+ 90	540	360	Dewey Warren acquires stake
Polly Peck	340	+ 34	355	134	Institutnl. meeting/chart "buy" signal
Rohan Group	260	+ 67	260	125	Bid approach
United Packaging	215	+ 78	215	111	Bid approach
Wellcome	490	+ 34	521	232	Hoare Govett circular

Calor is slow to ignite

NEXT WEEK opens with a showing from two "newcomers" to the market. Monday will be graced by the official announcement of BAA share allocations following this week's offer for sale; it will also see the first set of results from the CALOR GROUP.

Calor is what remains of the Imperial Continental Gas Association. IC Gas itself survived a bid from the Barclay twins' Gulf Resources early this year; it then split itself into Calor and the Contibel investment group, which was the subject of an agreed £395m bid from the two big Belgian groups, Tractebel and Groupe Bruxelles Lambert, in April.

Meanwhile, the Dutch SHV group got 29.8 per cent of Calor in a linked manoeuvre. The stake is strategic; SHV was said to be anxious to gain access to Calor's liquefied petroleum gas distribution network and its oil subsidiary, Century Power and light.

The result is a capitalisation of more than £650m for Calor and a pro-forma value of over £1bn for the old IC Gas group against the £750m Gulf Resources was prepared to pay for it.

Last year, the oil production side of the group will have had to bear the effects of the 1986 oil price collapse and adverse exchange rates. The same low oil price, of course, will have helped the Calor side, which is also expected to have benefited from containing operational costs, raising productivity and opening new markets.

Overall, pre-tax profits are expected to show a fractional decline, from the pro-forma £73.2m pre-tax for 1985-86 to £69.8m; but analysts are hoping for slightly better reutrns from the oil division than was indicated at the time of the IC Gas reconstruction.

Thursday, by contrast, sees results from a major exponent of the takeover bid. This time last year, the DEE COPORATION was getting back its breath after virtually doubling its equity base through the US acquition of Herman's Sporting Goods (125m shares) and the UK assimilation *of Fine Fare* (282.5m) shares).

By April this year, Dee was being called "dog of the year" with its shares down from 290p to 235p over 12 months.

In relative terms, the shares have not done well since April. As from June 27, Associated British Foods was free to place a holding of 135m shares resulting from the Fine Fare deal.

There also is an argument over accounting policies. Analysts' forecasts of around £195m pre-tax for the year to last April, indicating a rise in earnings from 15.5p to 18.1p a share, exclude provisions and extraordinary costs in respect of Fine Fare of an estimated £50m, which are expected to be taken "below the line."

Just to complicate matters, the recent results for Argyll, the new owner of the Safeway

Results due

group's UK supermarkets, took its post-acquisition costs above the line—and initiated a minor cause celebre in the City of London. Furthermore, say the analysts, they will be looking critically at the results from Herman which, they say, had a poor snow season last winter.

On Friday, as they did last year, the half-year results from LLOYDS will get the clearing banks' interim season under way. A year ago, observers were talking about pre-tax profit rises for the clearers of between 20 and 25 per cent, and Lloyds brought a gain of a quarter into the equation.

This year is anyone's guess. Lloyds is heavily exposed to Latin American debt problems and it has not yet said what it is going to do about them following the massive LDC provisions made, first by Citicorp in the US, and then by NatWest and Midland in this country.

The speculation is that profits, which might have risen by 10 per cent from £700m to £770m before tax, might have to bear a provision of between £600m and £800m. Recently, Lloyds also pulled out of gilts and Eurobond trading; and there have been external musings about a return to the takeover fray with a new bid for Standard & Chartered Bank. The last one failed just over a year ago.

William Cochrane

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Aim Group	Monday	1.9	3.8	1.9
Arlen	Wednesday	—	—	0.5
Barbour Index	Tuesday	—	—	—
Bespak	Wednesday	1.7	2.5	1.7
Black Arrow Group	Thursday	1.7	3.2	2.0
Border Television	Wednesday	—	—	0.6
Brasway	Wednesday	0.5	0.6	0.5
British Bloodstock	Thursday	2.5	6.3	2.5
BTS Group	Thursday	1.3	2.7	1.3
CAP Group	Thursday	0.5	1.0	0.6
Creighton Laboratories	Tuesday	1.2	—	—
Dee Corpn.	Thursday	2.8	4.4	3.0
Dyson, J. and J.	Friday	2.0	2.5	2.0
Elbief	Thursday	0.5	1.4	0.5
Eve Construction	Friday	—	—	1.5
Fleming Technical Inv. Trust	Tuesday	0.8	1.5	0.2
Harris (Philip) Hldgs.	Monday	3.7	5.5	3.7
Helton Holdings	Tuesday	—	—	—
Mainmet Hldgs.	Friday	—	1.0	0.7
Menvier Swain	Wednesday	0.4	1.7	1.0
Ransom William and Son	Tuesday	0.2	0.8	0.4
Sommerville William	Friday	1.0	8.0	1.0
Stanley Leisure	Thursday	—	—	1.7
Tomkins, F. H.	Thursday	0.7	1.3	1.0
INTERIM DIVIDENDS				
Aaronson Bros.	Thursday	1.2	3.0	
Abbey Panels Invest.	Thursday	1.2	1.2	
Allied Textile	Wednesday	3.0	5.0	
Bensons Crisps	Tuesday	—	—	
British Kidney Patient	Friday	—	4.0	
Charterhall	Monday	—	—	
Derby Trust	Thursday	4.9	—	
Edinburgh American Assets	Thursday	—	0.6	
First Leisure Corpn.	Thursday	—	—	
Fleming Fledgeling	Wednesday	1.0	1.5	
Green Property Co.	Thursday	1.1	1.6	
Lloyds Bank	Friday	4.1	7.8	
Romney Trust	Thursday	1.6	3.3	
Temple Bar Inv. Trust	Tuesday	2.4	3.8	
Sutcliffe Speakman	Monday	—	—	—
Yeoman Inv.	Friday	2.9	3.3	

* Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 27%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	3.00	3.04	2.29	1.67	monthly	1	—	0-7
High interest cheque	5.50	5.61	4.23	3.08	monthly	1	1,000-4,999	0
High interest cheque	5.80	5.93	4.46	3.25	monthly	1	5,000-9,999	0
High interest cheque	6.20	6.35	4.78	3.48	monthly	1	10,000-49,999	0
High interest cheque	6.50	6.66	5.02	3.65	monthly	1	50,000 minimum	0
BUILDING SOCIETY†								
Ordinary share	5.00	5.06	3.81	2.77	half yearly	1	1-250,000	0
High interest access	6.75	6.75	5.09	3.70	yearly	1	500 minimum	0
High interest access	7.00	7.00	5.27	3.84	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.65	4.11	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	5.84	4.25	yearly	1	10,000 minimum	0
90-day	7.75	7.90	5.95	4.33	half yearly	1	500-9,999	90
90-day	8.00	8.16	6.15	4.47	half yearly	1	10,000-24,999	90
90-day	8.25	8.42	6.34	4.61	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.00	7.30	5.50	4.00	yearly	2	5-100,000	30
Income bonds	10.50	8.04	6.06	4.41	monthly	2	2,000-100,000	90
Deposit bonds	10.50	7.67	5.78	4.20	yearly	2	100-100,000	90
33rd issue‡	7.00	7.00	7.00	7.00	not applicable	3	25-1,000‡	8
Yearly plan	7.00	7.00	7.00	7.00	not applicable	3	20-200/month	14
General extension	7.02	7.02	7.02	7.02	quarterly	3	—	8
MONEY MARKET ACCOUNTS								
Schroder Wagg	6.21	6.39	4.81	3.50	monthly	1	2,500 minimum	0
Provincial Trust	6.77	6.98	5.26	3.83	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	8.20	6.10	4.70	3.53	half yearly	4	—	0
10pc Treasury 1990	9.04	6.39	4.62	3.14	half yearly	4	—	0
10.25pc Exchequer 1995	9.13	6.47	4.69	3.21	half yearly	4	—	0
3pc Transport 1978-88	6.07	5.25	4.70	4.24	half yearly	4	—	0
2.5pc Exchequer 1990	6.03	5.31	4.83	4.43	half yearly	4	—	0
Index-linked 1990¶	6.14	5.60	5.24	4.94	half yearly	2/4	—	0

* Lloyds Bank. † Halifax 90-day; immediate access for balances over £5,000. ‡ Special facility for extra £5,000. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Am Elec Comps	45	44½	36½††	51.21	Burgess
Coline Intl	270	265	248	26.58	Dubilier
Datron Intl	64.88*	63	48	9.73	Wavetek
Hogg Robinson	600*§	626	589	276.07	TSB
Holden Hydroman	312§	298	215	12.08	BBA
Holt Lloyd	183½	184	158	82.91	Morgan Crucible
Jarvis (J.)	750*§	800	775	7.60	Brockville Steel
Lloyd (F. H.)	99¼	92	116	23.98	Triplex
Marina Dev¶	125*§	701	132	9.32	Clinthelme
Mayfair City Prps	235	220	233††	28.20	Rivlin
Mercantile House	540§	532	488	498.00	Brit & Comwlth
Miss Sam	270	238	192	44.64	Blacks Leisure
Mitchell Cotts	89	89	71	85.75	Fisher
Molins	257½	269	245	75.48	Tozer Kemsly Milbn
Octopus	498½	491	490††	535.00	Reed Intl
Plastic Constructs	140½	141	126	7.90	Glynwed Intl
Rosebrook¶	274½§§	275	234	20.59	Yule Catto
Riley Leisure¶	100§	100	75	15.88	Midsummer Leisure
Rotunda	198*§	191	146	14.21	Scapa
Ryman Group	204½	201	194	19.28	Pentos
Scholes (G. H.)	543½§	613	480	69.87	Delta Group
Sims Catering	165*§	328	145	6.15	Mr R. Randall
Stewart Wrightson	690§	668	500††	304.70	Willis Faber
Stockley¶	164	166	124	390.23	Mountleigh
Stone Intl	134½	132	154½	46.61	FKI Electricals
Wordplex	162½	156	139	16.87	Norsk Data

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 17/7/87. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ||| Loan stock. ‡‡ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Anglo Nordic	Mar	312	(758)L	0.5	(—)	—	(—)
Asda-MFI	May	192,000	(16,400)	11.4	(10.1)	3.5	(3.1)
Authority Inv	Apr	822	(127)	19.3	(16.1)	—	(—)
BBB Design	Apr	806	(531)	6.3	(4.2)	1.5	(—)
Bulmer HP	Apr	12,500	(11,800)	—	(—)	5.8	(5.3)
Dixons	May	102,600	(70,380)	19.5	(12.0)	14.9	(11.0)
Ellis & Everard	Apr	6,610	(1,520)	19.0	(12.9)	7.0	(6.5)
Fergebrook	Dec	4,550L	(1,870)L	—	(—)	—	(—)
Fishermans Pet	Dec	5	(15)L	1.4	(—)	—	(—)
Fleming Overseas	June	4,600	(4,890)	2.3	(2.3)	2.2	(2.7)
Graig Ship	Mar	701	(1,360)	42.0	(59.1)	15.0	(15.0)
Greene King	May	12,510	(11,270)	—	(—)	6.5	(5.6)
Hampson Ind	Mar	2,830	(1,720)	6.0	(3.8)	1.4	(1.1)
Howden Group	Apr	142	(11,700)	1.9	(12.4)	3.8	(3.8)
Israel Jack L.	Mar	1,020	(1,420)	1.1	(1.3)	0.5	(0.5)
Jarvis J.	Mar	723	(55)	45.0	(10.1)	—	(—)
Jones Stroud	Mar	4,620	(4,190)	30.4	(25.5)	10.0	(8.5)
Jury's Hotel	Apr	1,690	(1,450)	8.6	(10.6)	3.7	(3.5)
KCA Drilling	Dec	2,000	(4,400)	1.9	(3.2)	—	(—)
Kleen-e-Ze	Mar	920	(624)	23.6	(14.7)	6.0	(6.0)
London Shop Prop	Apr	8,430	(7,270)	—	(—)	6.2	(5.5)
Michael (John)	Mar	310	(428)	2.3	(4.1)	0.5	(—)
Moorgate Inv	May	1,130	(998)	17.0	(14.8)	16.5	(14.2)
MS Intl	May	1,060	(3,000)	2.8	(10.7)	2.0	(2.0)
Norbain Elec	Apr	11	(252)L	—	(—)	—	(—)
Parkfield	Apr	5,140	(3,880)	17.6	(7.8)	3.0	(1.4)
Preedy Alfred	Mar	853	(383)	6.7	(1.3)	4.1	(3.9)
Quest Group	Feb	2,900	(1,100)L	14.9	(—)	1.0	(—)
Ratcliffe F. S.	Mar†	80L	(387)L	—	(—)	—	(—)
Sekers Intl	Mar	1,780	(1,710)	12.7	(13.2)	2.6	(2.5)
Tinsley Eliza	Mar	817	(651)	7.3	(5.5)	3.2	(2.9)
Tops Estates	Mar	310	(119)	2.0	(0.5)	0.9	(0.5)
Wyko Group	Apr	1,780	(1,890)	3.7	(6.4)	2.6	(2.6)
Zygal Dynamics	Mar	811	(3)L	0.8	(0.2)	1.0	(0.5)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Airtours	Mar	2,990L	(360)	—	(—)
County Prop	Mar	2,150	(2,930)	1.8	(1.7)
Dennans Elec	Mar	540	(445)	1.4	(1.3)
Dewhurst	Mar	232	(187)	—	(—)
Egerton Tst	June	1,610	(647)	1.2	(—)
Eurotherm Intl	Apr	4,120	(3,350)	1.7	(1.5)
Goode Durrant	Apr	2,570	(780)	—	(—)
Kershaw A.	Apr	1,770	(1,380)	—	(—)
March Group	Apr	829	(848)	1.7	(—)
Oce (UK)	May	2,170	(1,500)	—	(—)
Rank Org	May	90,100	(70,200)	7.2	(6.2)
River Mercantile	June	3,060	(2,380)	—	(—)
Speng Hldgs	Apr	148	(58)	—	(—)
Sycamore Hldgs	Mar	199L	(212)L	—	(—)
Westwood Dawes	June	140L	(16)L	—	(—)

(Figures in parentheses are for the corresponding period.)

* Dividends are shown net pence per share, except where otherwise indicated. † Figures for 11 months. nbL Loss.

RIGHTS ISSUES

Allied Plant has announced a £4.05m rights issue, it will be raised by the issue of 5.87m new shares.

Frogmore Estates is to raise £17.4m via a one-for-six rights issue of 5.64m new shares at 320p.

Lorin Electronics is to raise £1.6m via a two-for-11 rights issue.

Norton Opax is to launch a £45.8m rights issue of convertible preference shares, shareholders will be offered one 5.25 per cent convertible preference share for every three ordinary held.

Parkfield is to raise £7m via a one-for-four rights issue, 8.88m shares will be offered at 340p.

Ratcliffe FS has announced a £3.7m one-for-one rights issue at 125p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Camotech is to move from the USM to the Third Market.

Consolidated Tern Investments have proposed a offering to raise £2.13m, shareholders will be offered three shares at 20p for every one held.

Cook D. C. (Holdings) is to come to the USM via a placing of 4.9m shares at 92p.

Corton Beech announced a share issue aimed at raising £2.3m, 2m shares will be offered at 120p.

Crosby James is to join the stock market via a placing of 4m shares at 82p.

Guinness Peat is making a £17.2m placing of new shares at 98.5p.

Kingston Oil and Gas will be the first oil company in two years to come to the Main Market.

Lee Valley Water Company is raising £4m through an offer for sale by tender of 7¼ per cent redeemable preference stock 1997-98 at a minimum tender price of £100¼ per £100 worth of stock.

London Shop Property Trust is to raise £37m through an issue of convertible unsecured loan stock, at £1 nominal for every two ordinary shares, £50.25 nominal for every £100 of existing 9 per cent 1994-99 convertible and £29.50 nominal for every £100 of the existing 9.25 per cent 1999-2004 convertible.

Medirace is to launch the Third Markets first fully fledged offer for sale to raise £1.2m.

Ossory Estates is to fund a purchase by the issue of 29.450m new ordinary shares at 45.5p.

On and ever up

TERRIBLE US trade figures, a weak bond market, rising tensions in the Middle East, and further politically embarrassing testimony in the arms-for-hostages investigations on Capitol Hill have not been sufficient to derail a US stock market which seems intent on breaking above the 2,500 level on the Dow Jones Industrial Average.

There are plenty of reasons why the stock market could go down but, for the time being, investors are concentrating on the steady stream of strong second-quarter earnings figures which have been rolling across the news wires. Merrill Lynch, the nation's biggest stockbroker, is projecting a 30 per cent rise in corporate earnings this year and next, and the latest reported profit figures are fuelling Wall Street's bullish profit projections.

This week, AT & T managed (for once) to upstage IBM, its larger high-tech rival. Old Ma Bell, as the US telecommunications giant often is affectionately termed, rang up a spectacular 49 per cent rise in second-quarter earnings per share to 55 cents. Its shares replied by jumping $1.50 to $31.75, their highest level since the company divested itself of its faster-growing regional operating companies, often known as the Baby Bells.

IBM, by contrast, dashed the hopes of its more optimistic fans—who had pushed its shares to an all-time high of $169⅞ on the eve of its results this week—by reporting an 8 per cent decline in its net income per share to $1.95—its fifth consecutive decline in quarterly earnings.

AT & T's second-quarter performance was just one of several sparkling earnings announcements which pushed Wall Street into new high ground this week. Among the blue chips, Merck's earnings rose 40 per cent to $1.72; Philip Morris's were 26.6 per cent ahead at $2; and United Technologies and ITT turned in such impressive gains that they may soon be re-labelled as growth stocks.

Coca-Cola, which earlier in the week posted a 20.7 per cent rise in earnings per share to 70 cents, announced yesterday that it planned to buy back up to 40m of its shares over the next three years. This pushed its shares more than $2 higher to $47¼. The day before, Philip Morris shares had hit a new peak of $95⅜ after it disclosed plans to spend $1bn on buying back its shares.

Wall Street

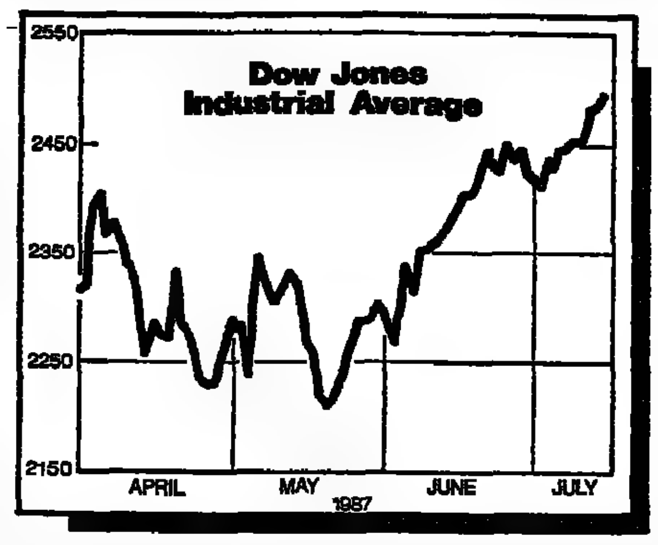
In addition to the strong earnings gains, several household names in the US corporate sector increased their dividends substantially this week. RJR Nabisco increased its quarterly payout by a fifth to 48 cents a share, whilst the New York Times raised its dividend by 22 per cent to 11 cents per quarter and Hewlett-Packard raised its payout by 18 per cent to 6½ cents.

Aside from AT&T, the shares of several other well-known names hit new peaks this week. Chevron ($64) and Du Pont ($126⅜) have been helped by the surprising strength of oil prices, which moved above $22 a barrel; whilst Phelps Dodge ($42⅛), Eastman Kodak ($91⅜) and Honeywell ($87) reflect the stock market's renewed love affair with formerly out-of-favour stocks.

However, it has been the near bankrupt US steel industry which has produced some of the most stellar stock market performers over the past few weeks. Bethlehem Steel, shares of which were languishing at $4⅞ last year, moved above $18 this week; and the shares of Inland Steel ($34¼) and USX ($37⅜) have both more than doubled over the past year.

Although the rise in share prices this week has been more broadly-based than in the past, there are still several areas of the stock market which have failed to take part in the stock market advance. The Dow Jones Utilities average is 16 per cent below its 12-month high of 227.83, and the shares of such industry heavyweights as Pacific Gas & Electric are less than a point above their year's low of 19 and yielding 9.7 per cent.

The financial sector has also been in the doldrums. The shares of American Express, the financial services giant, are trading around $33 compared with a peak of $40⅝. And US brokerage firms have also taken a hammering over the past few weeks, reflecting investor concern about the heavy bond losses incurred during the spring shakeout in the US credit markets when bond prices collapsed.



American Express's decision to sell off a substantial stake in its Wall Street investment bank, Shearson Lehman Brothers, looks well timed. The shares came to the market in May at $34 and are now trading at $27½, although the company appears to have escaped the big losses in the credit markets. It managed to increase its earnings by $1m to $61.4m in the latest quarter.

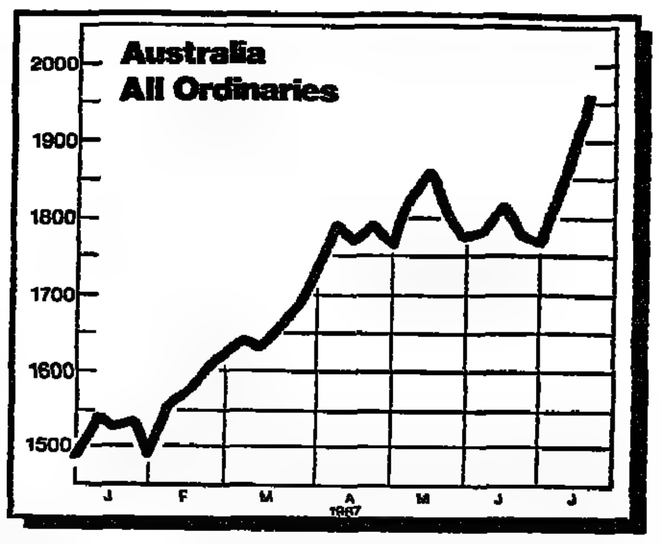
Speculation continues to swirl around the future of Texaco, the embattleed oil giant which has been forced to seek the protection of the US bankruptcy courts to escape a crippling damages award. Robert Holmes á Court, the Australian financier, has been increasing his stake again and it is now worth over $1bn.

Given the scale of his committment to a share which is not paying a dividend, Wall Street is betting that he might be the catalyst which breaks the deadlock between Texaco and Pennzoil, which is seeking $10bn in damages.

MONDAY	2452.97	− 3.02
TUESDAY	2481.35	+28.38
WEDNESDAY	2483.74	+ 2.39
THURSDAY	2496.97	+13.23

William Hall

Dollar fuels boom



LIKE a hardy mountaineer venturing ever higher along an uncharted Himalayan peak, Australia's booming stock market continues to scale undreamed-of heights, blithely ignoring the oft-expressed worries of anxious onlookers.

Just as bullish sentiment has pushed stock markets in New York, London and elsewhere skyward, so optimism has dominated Australia's share markets. How long it will stay that way is anybody's guess.

This week, the widely-watched All-Ordinaries index, covering 280 companies across all sectors, jumped 60.1 points to 1975.4, finishing the week at its highest-ever levels.

Over the past three weeks, the index has risen no less than 227.1 points. Since the beginning of the year it has added more than 500 points, hitting new records on almost 50 trading days. In a rally which began in mid-1982 the market has tripled, and it is now extremely difficult to find a bargain.

Analysts agree readily on the main international and domestic factors which have driven the market through the roof. But they argue furiously over the relative weight which should be attached to them. All tend to become visibly nervous whenever the market pauses for breath.

Over recent months, it has become plain that one consideration in particular has encouraged local share prices to move upwards—the relative firmness of the Australian dollar.

One year ago, the share market underwent a severe correction when the dollar hit a new low point. Bob Hawke, the Prime Minister, likened the country's economic crisis to war and Paul Keating, the Treasurer, warned Australians that it could become a "banana republic."

Higher domestic interest rates were imposed, which put a floor under the weakened currency, and the Australia dollar soon began firming. Once the currency risk started to evaporate, the overall effect on the stock market was dramatic.

Domestic institutions brought funds back or moved less offshore, while foreign institutions saw a reduced investment risk. The "weight of money" argument in favour of a rise in stock prices started to hold sway.

In a related development, the international gold price, strengthening as the US dollar weakened because of the US trade deficit, became an influential external factor.

This week, for example, as on so many recent occasions, the US trade figures reinforced gloom over the US dollar and pushed up the bullion price, making gold stocks more attractive.

Australian gold stocks (and, therefore, the local share market) reap a clear benefit, not only because the country is a major gold producer but also because of growing restrictions on investments in South Africa.

Thus, at the close yesterday the Gold Stocks index finished at 3,595.1, up almost 842 points on the figure of three weeks ago. Early in October last year it was well below half this level, at around 1,600.

Resources stocks generally also have picked up in line with recent improvements in the price of oil, copper and aluminium. But investor interest has tended to concentrate on better-known mining stocks like CRA, Western Mining and the recently floated BHP Gold.

Latterly, interest also has grown in selected Australian industrial stocks—specifically, blue chips with a sizeable proportion of their earnings abroad.

They include companies like News Corporation, Elders IXL, TNT, Boral and Pacific Dunlop, which have responded to the changed domestic climate by expanding offshore and hope to capitalise on their invaluable experience in a tricky domestic market.

Australia

Brokers say that although the local economic picture is uninspiring, the outlook for corporate profit growth remains relatively strong, at least for larger companies reaping the benefits of rationalisation or expecting a surge in overseas earnings.

Reinforcing these trends has been Australia's comparative attractiveness as jitters have increased in overbought markets like Japan. Japanese, as well as American and European, investors have been looking to other equity markets.

Although this overseas buying interest in Australia has weakened slightly in recent weeks, the underlying trend still is upwards. Average daily turnover on the Australian share markets of A$250m a day in June is well above the 1986 average of A$160m.

Chris Sherwell

Hopeful signs for North Sea oil

WHEN THE price of oil goes up, oil companies start to feel the benefit almost at once, as higher prices are quickly translated into higher revenues. The next link in the chain—from higher revenues to higher expenditure—is more tenuous, as oil companies are reluctant to spend more unless the oil price increase is large and appears permanent.

This explains why most oil sector share prices rose in tandem with the oil price, while oil service companies lagged behind. But after six months with oil at $18 a barrel or more, the first signs are emerging of new investment in the North Sea. Last week Shell announced the first major oil development since the oil price collapsed, and at least half a dozen other new fields are now likely to be developed sooner than later.

Nobody pretends that the North Sea is moving back towards another boom. But last year the supply industry was suffering so badly that the existence of many of the companies was threatened. The small improvement now in evidence may be just enough to tip the balance and give the supply companies enough work to tide them over until the North Sea genuinely starts to thrive again.

The companies which have been worst hit by last year's recession have been the drillers. It seems investors have become used to an unvaried diet of bad news and disappointment from drilling companies that they have been slow to absorb the fact that things are a little brighter.

Indeed, the market was positively shocked on Monday when KCA Drilling, one of the largest British drilling companies, announced a deal which could signal the end of its troubles. For a brief moment its shares almost doubled on the stock exchange.

This time a year ago, KCA seemed to be in deep difficulty. Both its two main offshore vessels, a large semi-submersible rig and a drillship were out of work. The cost of keeping them idle was running into several millions of dollars a year, and its debts were mounting.

Resources

KCA decided to cut its losses and sell the drillship, but could find no buyers—an unemployed drillship was something most companies would pay to get rid of. But on Monday KCA announced that Orion Bank had agreed to take on the ship and the £10 debt associated with it.

An even more unexpected new lease of life has fallen on the other quoted UK drilling company, Jebsens Drilling, which owns three semi-submersible rigs and was in even worse straits than KCA. In March it announced that with losses of more than £50m it had no choice but to go into voluntary liquidation. All three rigs were put up for sale, and investors were warned that there would be little if anything left over for them when everything had been settled.

But during the next month or so Jebsens' shareholders should receive details of a deal which will save the company and give them a stake in the company's future. Midland and Scottish, a privately owned offshore supplies company, is planning to inject money into Jebsens in return for a controlling stake.

The fact that both companies should have found solutions to their problems at the same time is no coincidence, as neither deal could have been struck without some prospect of a pick up in drilling activity. At the worst time last winter about 60 per cent of all North Sea rigs were idle, and the rigs which were lucky enough to have work were being paid at rates which did not nearly cover costs.

While Jebsens three rigs are still laid up, Midland and Scottish may well have identified a task for them. The company has recently bought a stake in the Emerald oil field in the North Sea, which is a candidate for early development, and for which Midland and Scottish is bidding as a contractor. The company has also set up a joint venture to specialise in developing small oil fields—on which the North Sea industry will become increasingly dependent as fewer large fields are discovered — which could create further work for the rigs in the future.

While the North Sea looks a happier place for its supply companies than it did a year ago, neither Jebsens nor KCA would dare to display anything more than the most cautious optimism. The extent of overcapacity in the industry—now down to about 40 per cent—is keeping rates uncomfortably low, and in some cases rigs are still being let for about $12,000 a day, about $3,000 less than operating costs.

Lucy Kellaway

PEP for the people

TSB's scheme aims to woo small savers, says John Edwards

THE "PEOPLE'S PEP" is how TSB describes its Personal Equity Plan, to be launched on Monday. It claims that by holding back until July it has evolved a scheme designed to appeal to the small saver—the Chancellor's original target—rather than the sophisticated investor, who would gain most from the tax advantages offered.

Unfortunately the "People's PEP" doesn't seem to offer very good value for money. The choice is very restricted and the charges geared to hit the smaller investor hardest.

The plan has a low minimum £20 a month or a lump sum of £250. The first £420 is put into a TSB unit trust, initially the British Growth Trust. Instalments above £420 are put into a deposit account until £300 has been accumulated. This is taken out to buy a single share from the FTSE 100 index, selected by the TSB investment team.

As further tranches of £300 build up they are used to purchase further single shares up to a maximum of six shares. If you reach the maximum contribution of £2,400 the last £180 is also invested in a unit trust, making a total of £600.

No one could claim that a maximum of six shares represents a balanced portfolio and during the build-up period you are exposed to even greater risk by relying on even fewer shares. It is the smaller saver, unable or unwilling to afford the full annual contribution of £2,400, who is the most vulnerable to the TSB investment team failing to pick winners.

The charging structure also discriminates against the small investor. For current plans—that is the first year—the annual management fees are £15 for investments up to £300 (equivalent to 6 per cent on the minimum) £25 for investments between £301 and £999; and £40 above £1,000 (equivalent to 1.6 per cent on the maximum of £2,400).

For holding plans—that is the second year—the annual fees are reduced to £10, £15 and £25, and for mature plans a charge of 1 per cent of the market value is made, but subject to a minimum of £20.

For the unit trust element the normal 5 per cent initial charge is waived, but the monthly management fee of 0.085 per cent is retained. There are no charges for share dealings but you do pay the stamp duty and VAT on all charges. There is a £30 charge for withdrawing from a current or holding plan, and if you require more than two statements a year, a £10 charge will be made.

Not a plan for the small investor to say Yes to.

Mortgage without proof

BUYERS OF new houses or flats are being offered a novel mortgage deal under which they have to provide no proof of income, but still pay only an interest rate of 9.5 per cent.

The Moneymaster Gold Scheme from Moneycentre, a London-based financial adviser, strikes a new note in that the home loan essentially is secured on the property rather than the person. The loan can be transferred to the new owner of a property if sold and there are no early repayment penalties.

There are two restrictions. The minimum loan is £100,000, although there is no maximum, and the maximum advance must not exceed 80 per cent of the purchase price or valuation. Unusually these days, the mortgage is repayment of capital and interest only; no endowment or pensions are available.

The interest rate charged is linked to the Libor (London Interbank Offered Rate) three months forward rate, with a premium added of only 0.625 per cent. It is revised every three months, but the premium remains unchanged.

The property can be let, so the scheme is particularly suitable for overseas purchasers and professional or business people.

Moneycentre, of 22 Gayfere Street, London, SW1 (01-799 1477) charges an arrangement fee of 1 per cent on amounts up to £500,000, 0.75 up to £1m, and 0.5 above £1m. However, it also offers conveyancing by its panel solicitors for only £115 on a property of any price.

Meanwhile, the Cheltenham and Gloucester Building Society has widened the scope of its "interest only" mortgages, aimed particularly at home-owners who have retired. These loans are now available on up to 75 per cent of the property value instead of the previous maximum of 50 per cent.

Under the scheme, only the interest—now 12.5 per cent—is paid each month and the capital borrowed is repayable when the property is sold or from the borrower's estate on death.

It is available either for the purchase of a new home or to make repairs or improvements to an existing property. You can also use it to buy an annuity which would cover the interest on the loan and provide the home-owner with extra income.

•

A NEW offshore bank account, based in the Isle of Man, is being introduced on Monday by a local subsidiary of Robert Fleming, the London merchant bank.

The Manx High Interest Bank Account will pay money market-related interest rates gross, free of tax. It will provide a cheque book for payments of any amounts, direct debits and standing orders, and direct credit of dividends and other income.

The account, which is being promoted by Save & Prosper, is expected to appeal in particular to expatriates: UK residents not liable to pay UK income tax or wishing to delay settlement of their tax liability.

•

SAVE & PROSPER is offering a 1 per cent discount on any purchase, irrespective of size, of its South-East Asia Growth Fund. The offer is open until July 31.

•

GUARDIAN Royal Exchange has warned holders of its Growth Equity Trust that the distribution of dividends will not be made on the due date because of administration delays resulting from the high level of stock market activity.

The group hopes to make the distribution within one month. Meanwhile, the funds have been placed on deposit to earn interest for the benefit of the trust, which ultimately will benefit all shareholders.

J. E.

IN THE NEWS

Higher benefits

AN UNUSUAL offer is being made to members of the Bristol and West Building Society.

Under its new Goldmaster policy, a 10-year with-profits endowment contract with Friends' Provident Life Office, the society has foregone any renewal commission, so enhancing the overall investment proceeds on the contract by 1½ per cent.

The contract is straightforward. The investor pays monthly premiums — either £10, £20, £30 or £50 — for its duration straight to Friends Provident. Bristol and West not involved at all once the contract has been set up.

However, instead of pocketing the 2½ per cent commission for doing nothing, Bristol & West is rebating the commission back to the investor in the form of higher benefits. The expenses incurred by the society in setting up the contract are recouped from the initial commission.

Investors dealing through *independent intermediaries* should not expect similar rebating on savings contracts, though. If the intermeriary is doing his job properly, he will continually be servicing you and your account on a regular basis and he needs the renewal commission to finance these operations.

Indeed, there is considerable controversy over the whole principle of rebating commission. Certain brokers do offer partial rebates on contracts, enhancing the benefits to investors.

The opposition to rebating is on the ground that the intermediary runs the risk of giving a cut-price service to clients.

The other point to consider in any rebating exercise is the overall level of returns given by the life company. A 1½ per cent increase on an indifferent investment return might still fall short of a normal return from a top life company.

Eric Short

Hugo Dixon examines a new measure to protect consumers

Finance code lacks teeth

THE GROWTH of consumer debt, and concern that some financial institutions have been encouraging people to borrow money they cannot afford to pay back, persuaded the Finance Houses Association to bring out a code of conduct this week.

A welcome step. But the vagueness of the language used in the code makes one wonder if the association will be able to catch any of its 47 members *breaking the rules. Even if it* can, does it really have the will to expel members—which include most of the best-known names in the industry—as it has threatened?

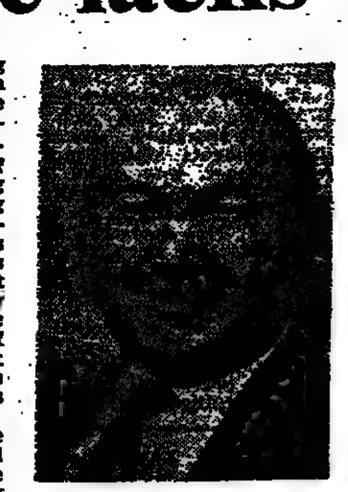
Take, for example, the provision on dealing with young people. Irresponsible lending to the young is one of the greatest areas of concern in the present *credit boom. The code tells* members simply to "take particular care."

Similar criticism can be made about the procedure for checking that borrowers can afford a loan. The original intention seems to have been to require lenders to search a credit reference agency. However, the code dilutes this requirement by saying that, in deciding whether to consult such an agency, lenders may look at the "circumstances of the application" — whatever that means.

Then, there are a series of clauses which have the sting removed from them by tagging the phrase "where appropriate" on the end. Lenders are supposed to tell customers about the availability of credit protection insurance, supply *information to credit reference* agencies, and limit the period of a loan to the life of the asset being financed; but they are supposed to do only these things where appropriate.

This is not to say that the code does not have its good elements. One is the insistence that any member advertising "secured" loans makes it clear that the loan is being secured on the borrower's home. Consumers sometimes think "secured" means a loan is very safe, not understanding that their home is at risk.

Even this clause does not go far enough, though. A simpler and clearer way of protecting the consumer would have been to insist that all advertisements for secured loans use the word "mortgage." Almost everybody knows what that means.



Ray Hazlehurst . . . relying on the public

If the code was being portrayed as nothing more than a statement of best practice in the industry, or as a string of good intentions, the fuzziness in its language would not matter.

But it is intended to be a prescription, not just a description —and for that it needs teeth.

Sir Gordon Borrie, the director-general of Fair Trading, who has given the code his stamp of approval, is not worried by this imprecision. He says the association should enforce the spirit of the code, not the letter.

And Ray Hazlehurst, the association's chairman, is certainly *fully in favour of the spirit* and concerned that people should not fall into debt when it is avoidable. The problem is that the association has no effective mechanism for enforcing it.

Hazlehurst says the association will not go out and make spot checks. Instead, it will rely on complaints from the public, which it will then pass *on to the finance houses* concerned.

This means that if the code is going to lead to an improvement in lending practices, consumers and their representatives —Citizens Advice Bureaux, money advice centres and the like—are going to need to make a huge fuss whenever they think it is being broken.

Trust in the Far East

Christine Stopp on how the Japanese have been outstripped

OVER THE PAST year the Far East unit trust sector has outstripped the Japanese with an average increase of 49.5 per cent, almost twice the 23.4 per cent of the Japanese trusts.

The Far East sector is a mixed bag, containing trusts which offer a number of different investment aims. Broadly speaking there are two main types: the first is the one-stop investment; the second is the broad spread excluding Japan. Between the two there are various permutations, with many trusts limiting their exposure to Japan without actually excluding the Tokyo market completely.

The top five trusts have been heavily weighted in Hong Kong, to the total or near exclusion of Japan. The top two, Waverley Pacific Basin and Fidelity South East Asia, also had a strong percentage in Australia. Sun Life Far East Growth was one trust which did well in the sector with a 39 per cent weighting in Japan.

The Waverley Trust has "no geographical restrictions." The group has a strong reputation as a Japanese specialist but is "not wedded to that market by any means" according to Peter Bucher, investment manager. The trust currently has a relatively small Japanese exposure concentrated on domestic stocks.

Fidelity, Save & Prosper and County all exclude Japan as a matter of policy. The Fidelity view is that in a trust which include Japan the other markets "tend to get swamped" and investors need help in choosing among the Pacific minor markets.

S & P had two Japan specialist trusts but their SE Asia Growth trust tends to be invested predominantly in Hong Kong. County has previously had both Japan and the other Far Eastern markets within one portfolio but found it hard to achieve performance with this combination.

M & G also offers two specialist Japan trusts. The brief on its Far Eastern and General trust includes Japan but to a maximum of 15 per cent.

Sun Life says its trust is "for the smaller investor wanting a position in the Far East." It does not, therefore, exclude Japan, and has been up to 70 per cent invested there. This objective is similar to that of F&C, who say the performance of their trust has been affected by over-exposure to Japan in recent months, with 7? per cent of the portfolio there until March.

Perhaps the conclusion to draw from all this is that the Far East trusts should be viewed *as a group of sub-*sectors, and investors should be clear on whether the trust of their choice matches their own investment objectives.

At the extremes, geographical objectives obviously affect performance, and the sector may tend to *divide into performance* strata related to investment policy.

But how should investors now regard the Far East apart from Japan? Most managers tended to be wary on Japan, and generally optimistic on the other Far Eastern markets, though County investment director Peter Holland sounded a note of caution.

"If I was putting together a portfolio today," he said "I would include South East Asia, though not as a core holding, because of the risks involved. There will be times when you should be out of these markets. In spite of recent good performance, this is still a politically very young and unstable area."

FAR EASTERN TRUSTS: GEOGRAPHICAL WEIGHTINGS

	Japan %	HK %	Singapore Malaysia %	Aust %	US %
Waverley Pac Basin (1)	20	30	—	45	—
Fidelity SE Asia (2)	*	42	—	34	—
S&P SEA Growth (3)	*	49	44	—	—
Thornton Tiger (4)	*	31	38	—	—
County SEA Growth (5)	*	33	57	*	—
M&G FE & Gen (11)	5	50	—	15	—
Sun Life FE Growth (14)	39	30	—	—	—
Thornton Pac. Tech. (57)	36	—	—	—	48
F&C Far Eastern (60)	63	20	—	—	—

(Figure in brackets is OPAL one-year sector ranking at July 1. Asterisks indicate markets where funds do not invest as a matter of policy).

Telling all

David Shriver on how the Stock Exchange is dispelling the mystique of share dealings

THE STOCK EXCHANGE has launched a scheme aimed at informing the private investor, especially those dabbling in shares for the first time, about the workings of the market.

Sir Nicholas Goodison, chairman of the International Stock Exchange, said that he hoped the Stock Exchange Investors *Club would help dispel the* mystique surrounding share ownership. "Direct investment in stocks and shares is not a preserve of the privileged few," he said.

With privatisation issues greatly increasing the number of small investors, Goodison feels that there is a strong need for this kind of service. "There are many organisations which represent large institutional shareholders," he said. "I hope that this club can begin to fulfil the same function for individual investors."

The club will offer a quarterly newsletter to keep members in touch with what is going on in the market. It describes different types of investment, and gives news about changes and innovations in the market.

It will also arrange special events for members. These will include informal "investment evenings" where members can meet stockbrokers and discuss investment experiences, along with rather more formal lectures and seminars on specialised *subjects.*

The annual subscription rate of £15 (£12.50 if you join before September 30) entitles you to an information pack covering many aspects of the Exchange, as well as a free club cardholder and pen.

A growing number of people are visiting the Exchange itself, in spite of the much reduced activity on the trading floor, and the visitors' gallery has been refurbished.

There is now a visitors' information centre where you can discuss procedures for buying and selling shares and learn more about what the Exchange does.

There are also a variety of new *computer games and* electronic information systems which introduce you to the world of share issues, trading and 24-hour global markets.

To back up the message that shareholding *is not just for the* sophisticated, the Exchange has invented a cartoon character, "Investor Cat," who explains how to buy stocks and shares. Its message: "Don't nest it . . . invest it."

• FINANCE & THE FAMILY •

Certainty for options

The election result has confirmed the value of a big tax scheme for executives, writes David Cohen

APPROVED SHARE option schemes have become one of the executive's favourite perks since they were introduced in 1984. But they were overshadowed by two key factors which threatened the tax advantages that made them so popular. During the past two months, however, both these threats have been swept away.

One threat was the outcome of the general election. The Labour Party has never made any secret of its opposition to tax-privileged executive option schemes and it was feared that, if a Labour government was elected, certain tax privileges introduced in 1984, which have yet to be enjoyed, might be cancelled.

The *great attraction of* the approved scheme is that it gives option-holders a shelter from income tax. Before 1984, any gain realised on the exercise of a *share option* granted by a company to staff was subject to income tax at the employee's top rate.

The 1984 scheme scrapped the liability to income — although not capital gains — tax. However, one condition was that the option must not be exercised before a minimum of three and a maximum of 10 years from the date on which it was granted.

It was not possible for any scheme to be approved by the Inland Revenue before August 1984 at the earliest. This meant that nobody was in a position to make an income tax-free exercise before the general election; hence the uncertainty.

When Labour was returned to *power* in 1974, it promptly scrapped the Heath Government's approved scheme. Employees with unexercised options at that time were charged income tax later when they did exercise them. No doubt the same fate would have been in store for the class of '84 if Neil Kinnock had become prime minister.

Mrs Thatcher's victory not only removes uncertainty for existing shareholders. It also means that, for the first time, an approved option scheme can be *taken* up with the reasonable expectation that the tax rules will stay constant *throughout* the *option's* lifespan.

Politics aside, the other major shadow overhanging approved options has been the rash of company takeovers and mergers.

Until now, option-holders in a company which has been taken over have faced an unenviable choice between abandoning their options altogether or exercising them early before the minimum three-year period, becoming liable for income tax on the gain.

Recognising the unfairness of this, the Chancellor announced in this year's Budget that option-holders in a company being taken over would be allowed to swap existing options *for* equivalent new ones in the acquiring company.

The effect of the concession is that the tax rules are applied to the replacement option as if it were simply a continuation of the original.

Suppose, for example, that Mr X was granted an option for shares in Oldco plc in November 1986. In January 1989, Oldco is taken over by Newco. Employees *of* Oldco are offered the opportunity by Newco to swap their options in Oldco for *options* in Newco shares. Mr X accepts this offer.

Then, provided Mr X defers the exercise of his new option until November 1989, he will avoid *having* to pay income tax on the profits made. This is because the three-year minimum *period is calculated from* the date of the original grant.

Although this disposes of the income *tax* problem in an option swap, the Chancellor's original proposals *failed* to allow for the possibility that the option exchange might trigger a liability to pay capital gains tax.

This omission was pointed out while the Finance Bill was being considered, and the Bill was amended to exempt the employee from any theoretical CGT charge that might arise from the exchange of options. However, this still left a potential CGT exposure for the company taking over, and this is to be dealt with in the second Finance Bill now going through Parliament.

David Shriver charts the latest development in cashless shopping

Electronic debit will do nicely

THE MOVE towards a cashless society was taken a step further this week with the publication of proposals for paying your shopping bills electronically.

The proposals, put forward in a consultative document,* are designed to ensure that there is sufficient competition between the financial institutions offering these services in the hope that the consumer will gain from at least some of the cost-saving benefits on offer.

But the key question is— who is really going to benefit most from the development of EFTPOS (electronic funds transfer at point of sale)? The banks? The retailers? The consumers?

The banks want to reduce the huge amount of paperwork caused by cheques and at the same time to limit fraud, preferring to get rid of cheques altogether and save money on the time and cost involved in processing them.

The retailers, despite their recent opposition to Barclays' "Connect" debit card, welcome computerisation which will make accounting and stock-keeping procedures much easier.

For the consumer, however, the benefits are not quite so clear. The lifting of the £50 limit imposed by a cheque guarantee card is a plus point. Paying electronically, with the amount deducted from your bank account, also means you can dispense with bulky cheque books.

However, those employing credit cards for shopping may prefer to keep on using them since they would lose the extended period for payment that credit cards provide. With electronic payments, the money is debited immediately from the customer's account.

So, if consumers are to be persuaded to change from credit to debit cards, some sort of encouragement might be necessary. This could come in the form of price deductions to compensate for the loss of this "grace period."

Martin Smith, of the National Consumer Council, predicts "slow and painful progress" before cashless shopping is accepted. Although Smith sees quicker handling of transactions as a bonus, he doubts how much benefit will pass on to the consumer.

The innate conservatism of the British public will be a major obstacle to technological advance, he believes. But he adds that "ATMs (automated teller machines) are unambiguously the success story of the day, and no one in 1967 could have predicted that today people would be standing outside in the rain to use them."

A recent report, People and Payments, confirms this uncertain attitude to EFTPOS. It showed that 58 per cent of people questioned were against having purchases charged to their current account without writing a cheque.

Veronica McGrath of the Consumers Association suggests that this reluctance to change is an indication that people are worried about who will end up paying. There is also the simple confusion over the plethora of store cards, charge cards, credit cards and direct debit cards now on the market.

Meanwhile, progress made by EFTPOS UK Ltd, the joint company set up by the 12 clearing banks to sort out how costs should be shared with the retail industry, means that the creation of a nationwide scheme becomes a distinct possibility in the near future.

Whether these moves succeed depends to a great extent on the ability of the banks and the retailers to convince the public that cashless shopping has definite advantages.

* *"Business Service Specification for the EFTPOS UK inaugural service—public consultation document." EFTPOS UK, 32 City Rd, London EC1Y 1AA. Free.*

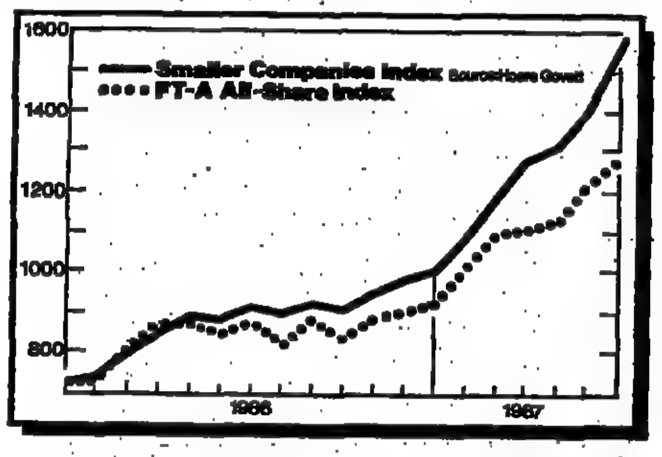
Guide to unit trusts

THE RECENT rapid expansion in the number of unit trusts, to more than 1,000 funds, means there is a bewildering choice for investors. So, unless you rely on expert advice which might not be entirely unbiased, what do you look for when choosing a unit trust?

Academics John Matatko and Dr David Stafford, both lecturers at Essex University, have developed their own system to evaluate the performance of every unit trust with a net value of more than £15m.

It is explained in a new quarterly finance magazine, *Unit Trust Investor*, published under the imprint of the Stock Exchange Press.

The magazine, priced at £1.25, provides basic information about unit trusts as well as measuring their individual performance. There are three indicators covering aggressiveness, volatility and performance, but perhaps the most telling measurement is how individual funds have performed against the comparable stock market index.



SMALL IS BEAUTIFUL

SMALLER companies continue to provide a better return for investors, according to the latest survey by London stockbroker Hoare Govett. In the first half of the year, the total return on the Hoare Govett smaller companies index rose by 36 per cent, 16 per cent more than the rise in the Financial Times Actuaries All-Share index.

Hoare Govett's smaller companies index, which was launched in February, is made up of 1,296 companies which at the beginning of the year represented the bottom 10 per cent by value of the main share market. It included all companies valued at £108m or less.

The survey shows that the share prices of smaller companies were particularly rewarding in June, when they rose by 11.3 per cent compared with an increase of 5.4 per cent in the FT-A All Share index.

John Houlihan of Hoare Govett says there is ample evidence that, over the longer term, the smaller company sector will continue to outperform leading stocks.

He notes that many fund managers who traditionally have dismissed smaller companies as being irrelevant to performance have changed their minds, and adds that there has been a spate of unit trusts launched to invest in smaller companies.

Another London stockbroker, Phillips & Drew, announced this week it has set up a new type of fund to exploit the above-average investment returns achieved by smaller companies in the UK over the past 30 years. The fund does not select individual companies; instead it invests indiscriminately in 375 smaller stocks that make up 6 per cent of the total capitalisation of the FT-A All-Share Index.

John Edwards

John Edwards on a city—and a group—that are growing fast

The Edinburgh experience

SASSENACHS MUST wonder why so many successful investment and insurance companies are to be found in Scotland.

A visit to Edinburgh quickly shows why people like working in that elegant city. But why should it be the second most important financial centre in Europe—bearing in mind Scotland's relatively small population, the high unemployment and the lack of special fiscal incentives?

Is it something in the water, or is it just traditional caution with money which makes investors *trust Scottish companies* to look after them well?

Whatever the answer there is no doubt that Scottish companies have made the most of the explosion in financial services and investment during the past 10 years or so.

One group that has done particularly well is Edinburgh Fund Managers, whose shares last week moved up from the Unlisted Securties Market to a full listing on the London Stock Exchange.

The decision to go for a full listing marks the company's determination to shrug off its image as a small investment boutique that was especially good in the Japanese market.

The group has come a long way since it was formed in 1969 to take over the management of American Trust (formed in 1902) which had net assets of some £33m. By 1983 the value of funds under management had grown to £430m, and now it is close to £1bn.

To many people's surprise the group's pension division was recently appointed joint manager of the Hounslow Borough Superannuation Fund in the face of severe competition. The business of managing discretionary funds is growing fast and is expected soon to exceed the traditional investment trust business.

EFM is also making its mark in the unit trust industry. It is now the 41st biggest unit trust group, with funds under management topping £230m. Several of its 10 trusts, at varying times, top the performance league table in their respective sectors.

Not surprisingly, in view of its past reputation, one of the top performers is its Tokyo Fund, but it has achieved equally good returns over a five-year period with its UK Capital and High Distribution funds.

When General Accident, the sleeping giant of the insurance industry, work up recently and decided to introduce unit-linked products, it turned to EFM to manage the funds. It also took a 15 per cent stake in the company acquired from Lasllife Association of Scotland.

To make doubly sure General Accident also bought a 15 per cent stake in American Trust, which has 54 per cent of the EFM equity.

With these holdings, and EFM executives and staff owning another 16 per cent, there is a limited amount (15 per cent) available to outside shareholders. So trading activity in the stock is restricted by an absence of sellers.

Nevertheless, EFM believes a full listing will help its plans for expansion into new areas, especially overseas. It already has links with companies in the *US, Australia and Holland, but* it wants to build up an international network.

A full listing, with better quality paper, will obviously help in negotiating joint ventures for overseas markets.

One of the great advantages of being based in Edinburgh is that it is much easier to keep an investment team together which is one of the key ingredients of success.

So far not many of the highly successful Scottish fund managers have been lured by the high salaries paid in London. Perhaps they are too cautious or simply enjoy the less frantic Edinburgh life-style. EFM has lost only a few staff since the Big Bang and has no trouble in finding bright trainees to supplement the experienced and established investment team.

Since the bulk of its unit trust business is done via intermediaries, a good investment track record has to be maintained if the group is to continue expanding. It has, though, made some wrong decisions.

Arriving late in Europe, with a fund that invested 40 per cent in bonds, was a mistake. This is now being rectified with the whole portfolio being turned into equities.

Badly timed hedging and a misjudgment of the dollar and yen movements in 1985 also damaged EFM's international funds. At one stage it was feared the group had lost its magic touch in Japan, by sticking to the traditional export-orientated stocks for too long. But the Tokyo Fund came back with a vengeance last year—although it still lags behind the UK Capital performance on a five-year return basis.

A savings plan for unit trusts to be introduced in August will have a special deferred switch facility, which means you can leave one fund and put your money in a high-interest deposit account, while deciding about your investment strategy for the future. In this way you *can make the most of your* capital gains exemption annually and not be rushed straight into some other fund.

With a steady growth in profits, from £822,000 for the year to January 1983, to £5.7m in the year to January 1987, EFM has built up a large cash balance to protect itself in lean times. It has also spent heavily buying up more spacious premises in Edinburgh; putting in computer systems and making sure there is plenty of money for its research team to keep in close touch with market developments and companies in which it has invested.

EFM believes there is no substitute for personal visits to companies. Maintaining its investment track-record is considered vital in remaining competitive and attracting the right kind of partners for expansion worldwide.

EFM UNIT TRUSTS (OFFER TO OFFER INCOME REINVESTED)

	1982 %	1983 %	1984 %	1985 %	1986 %	5 years* %
Capital (from 3/82)	58.8	24.6	27.0	28.7	46.3	344.5
Growth & Income	31.9	23.6	25.1	21.2	24.2	187.0
High Distribution	26.8	29.2	29.2	17.1	36.5	214.7
American	25.3	22.1	4.8	−6.8	12.1	60.8
EuroFund (from 2/86)	N/A	N/A	N/A	N/A	22.5	15.2
International	6.2	34.3	25.6	−1.9	31.3	119.0
Resources (from 6/83)	N/A	12.8	−3.4	−22.2	30.0	3.5
Tokyo	21.2	79.9	19.2	−0.1	53.9	283.7
Smaller Japanese Cos. (from 1/85)	N/A	N/A	N/A	−1.2	47.8	37.2

* Cumulative return for five years on an offer-to-bid basis

Tradition that dies hard

Alex Nicoll explains why an older kind of option refuses to be displaced

NOT MUCH that goes on at the post-Big Bang London Stock Exchange could be described as traditional. Yet the market in traditional options, in existence since the 17th century, stubbornly refuses to be displaced.

Traditional options need to be distinguished straight away from the more modern business of traded options, in which the Stock Exchange also operates a rapidly growing market.

The traditional variety are dealt in a more arcane world, peopled by stalwarts who talk of "giving for the put," "taking for the call," "doubles" and "declaration days."

Douglas Walford, a director of Barclays de Zoete Wedd UK Equities, has been dealing traditional options since 1958, when the market was brought back after being suspended during the Second World War. On the first morning, he was a "blue button." By the afternoon, when his superiors realised how much work was involved, he had become a fully-fledged trader.

In 1968, he was joined by Richard Rapazzini, now also a director at the same firm. They are one of three teams which have each moved several times over the years—the others are now at Smith Brothers and Credit Suisse Buckmaster & Moore. The three firms are the only ones to act effectively as market makers, but many brokers, especially those which specialise in private client business, are willing to take orders *for traditional options.*

Walford and Rapazzini, anxious to shed light on a business which they see as offering greater scope than traded options, have published a guide* which puts the obscure language into easily understandable English.

The basic principles are the same as for any kind of option. The holder of a "call" option has the right to buy underlying securities within a set period at a given "striking" price, and the holder of a "put" has the right to sell securities. The sellers or "writers" of the options must deliver or receive the securities if the holder decides to "exercise" the option.

Options in general offer the buyer the ability to make large speculative profits—or to protect their stock market portfolios—with potential losses limited to the premium or price paid for the option.

In some respects, the traditional market offers more flexibility. Whereas traded options are available only in selected stocks, traditional options can be written on virtually any UK equity and, at least in theory, on foreign stocks as well.

Traded options come in standardisation lots—which can be dealt only in multiples—while traditional options can be written for very small or very large amounts. Traditional options provide a third alternative to the call and the put: the ability to do either if you *buy a "put and call,"* or "double."

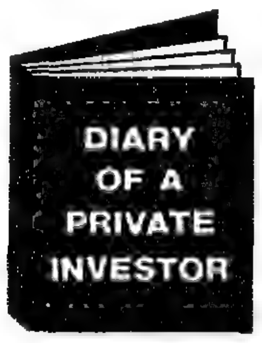
The price for this greater scope is reduced flexibility in some other aspects. Traded options, as the name implies, can be traded, but traditional options cannot. Traded options can be exercised at any time during their life, while traditional options, with a life of about three months, can be exercised on the one Declaration Day in each fortnightly Stock Exchange account period. Traded options come with a range of striking prices, while the striking price for traditional options is simply the *market price* at the time the bargain is struck.

Private punters are more likely to be on the buy side—in traditional terminology, the "givers." Institutions wanting to make a little extra premium income on their portfolio are more likely to be writers, or, in this market, the "takers."

Options—also known over the centuries as "time bargains" and "refusals" — have been banned or suspended at various times. But as Walford observes, "they always seem to come back." With traded options expanding into more and more stocks, there could be a reduced role for the traditional variety. As yet, however, as the daily coverage in this newspaper shows, they are still a live if quaint feature of the London markets.

* *"A Guide to Traditional Options," Barclays de Zoete Wedd Securities.*

Dangerous debts



IN APRIL 1985, my wife bought shares in *Midland Bank* for 330p each. She hoped Midland would be taken over and "sorted out" by Hanson Trust, BTR, or even by British and Commonwealth.

Later that month, she received a Midland circular outlining its proposals for full equity ownership of the US Crocker Bank. The circular claimed that such ownership would help to "maintain the standing of the Midland group in the world's financial markets."

While the circular mentioned the problems with Crocker's loans to Californian farmers and property developers, it gave little warning of the problems it might face with its loans to Latin American countries. Yet, it did reveal that "advances to foreign borrowers rose from US$1.5bn to $3.7bn," between December 31, 1979, and December 31, 1982.

We were concerned about this foreign loan exposure and with the performance of Midland itself, so in August 1986 my wife sold half her Midland holding for 390p a share and disposed of the remaining half for 438p in November that year.

Now, with Midland finally admitting the full extent of its problems, its shares are over 600p. Why?

When Midland eventually sold Crocker Bank to Wells Fargo, it retained responsibility for $3.1bn of Crocker's loans to Latin American countries as well as a number of its other poor loans.

Midland is now providing $1.9bn against Third World debts, having a rights issue at 300p on a one-for-one basis to raise £700m, and is selling off three of its banking groups.

Personally, I would have thought that 300p was about the right level for all Midland shares. But then, I'm only a private investor using my own money. I am not an institutional investor using other people's money and concerned with having a "proper weighting" in bank shares.

So long as institutions take this attitude, banking shares will remain high.

Having recently spent two weeks in Brazil, I am even more convinced that buying shares in banks with large outstanding loans to that country is dangerous. Brazil owes well over $100bn to other countries and some of this money appears to have been wasted on grandiose (and economically useless) projects. I cannot see Brazil ever being able to repay its debts.

Of particular interest to anyone planning a trip to Brazil is that there is a thriving black market in foreign currency. It is far better to take US or UK currency than travellers cheques, which can be exchanged only at banks and hotels at considerably less than the black market currency rate.

You can always keep spare cash locked away in the hotel safe and, by ignoring travellers cheques, you also save on commission charges.

★

MY WIFE and I have applied for a modest number of shares in BAA. The issue is likely to be over-subscribed, and we could end up either with a much-reduced shareholding or no shares at all. Although the shares are likely to attract a reasonable premium, if we received only a few shares the profit would not cover the bank interest lost on a large application.

There are also many other interesting investment opportunities now available where the potential rewards are greater in the medium term than BAA.

Reading the BAA prospectus, I was somewhat surprised at the number of directors and senior staff who have joined the company only recently. *Jeremy* Marshall (the chief executive) joined this year, and William Shaw (group finance director) joined in 1986.

Of the 10 main board directors, seven joined BAA less than three years ago; and five of the 17 listed members of "senior management" have been with BAA for less than three years.

With so many new "top people," one of two things could well happen. The new management will feel it has to perform far better than its predecessor and will produce some innovative ideas for dramatically increasing profits; or it will take some time to settle in, perhaps with some "personality clashes," and profits will be much the same as in previous years.

If BAA proves spectacularly profitable, then perhaps some enterprising companies will form a consortium to build a new, large, highly-efficient and attractive airport in, say, Yorkshire or Humberside to take away the millions of passengers in the north and Midlands who would otherwise have to travel to London for their international flights.

This could do much to revitalise that area of Britain as well as provide some proper competition, as the privatised BAA has not been given a monopoly to run all the airports in Britain.

Kevin Goldstein-Jackson

Enjoying a home

My home, in which I have lived for over 20 years, is a large Victorian house, situated in approximately five acres of orchards, lawns, formal gardens etc with matching brick built stables, coach house and barn. It was all valued in 1966 (when I inherited the property) by Inland Revenue officers, who inspected the property, at a very high price. I have always used all of my home for my own enjoyment and pleasure, so I think I should not be liable to capital gains tax if I sell to a developer.

To prevent argument with the Inspector, however, and expense, can I request an appointment now to discuss, and confirm, that I shall not have to pay any tax?

The exemption from capital gains tax on the disposal of your only or main residence applies to the house and curtilage up to one acre or such larger areas as the Commissioners may allow as being appropriate for the enjoyment of the house in question. As you have five acres it would be necessary to have an adjudication allowing the whole (or some part in the excess of one acre) of the five acres to be within the exemption. There is no reason why you should not approach the Capital Taxes Office with a view to having the matter agreed with the District Valuer in advance of any sale you may wish to make.

Fall on pavement

As a result of a defective and uneven pavement I fell heavily, tearing my trousers at the knee, and they are now useless. My knee was badly bruised and cut.

The uneven pavement was in front of the house where the residents had witnessed my fall and had come to my assistance. It appears that others had fallen at this place.

Have I a claim on the council for replacement of my torn clothing?

If the highway authority had been previously warned of the defect and then failed to remedy it, you would have a claim for the damage which you suffered.

Bonds held on trust

About 1972 my husband and I purchased £2,000 Premium Bonds in my name. We won a few small amounts which were always shared by ourselves and our three children. In 1980 we decided to buy some more bonds and my children thought it would be a good idea if they all contributed to this to enable us to buy a further £8,000 so that we held the maximum. We did this and the £10,000 of bonds are all in my name. Since then we have won several more small amounts, all of which are equally shared. I know that no tax is payable on winnings from these bonds; at any rate, I would not be liable as they are all in my name. In the unlikely event of us winning a big bond, however, what is the position tax-wise over the share my children would be entitled to?

You can ensure that no tax will be payable if you make a formal declaration in writing that you hold the bonds on trust for the five of you (naming each individual) equally. A copy of the declaration should be given to each beneficiary and the original kept with the bonds. We must apologise for the delay in replying to your query.

Solicitor needed

My wife and I own our house as tenants in common. Because of changed circumstances, we now wish to become joint tenants of the property.

As pensioners, we wish, if possible, to avoid solicitors' fees for what is, presumably, a straightforward clerical matter. How should we go about it?

It is not possible to revert to a joint tenancy in equity with the same simplicity as you can sever a joint tenancy and create a tenancy in common. You would probably have to terminate the existing trust for sale and create a fresh trust. It would be unwise for you to try to do this without consulting a solicitor both as to the desirability of doing this and as to means. One method would be to convey the property to one of you alone, followed by a further conveyance to you both as joint tenants, but this would depend on whether you can give a certificate of value.

Deduction of debts

I am a widower and several years ago for family reasons I signed a memorandum, accompanied by the deposit of the title deeds of my house, to secure existing and future advances made to me by my daughters for extensions, improvements, and generally refurbishing the property. Will the existence of this document on my death reduce the value of the property and, accordingly, the amount of inheritance tax payable?

No. The deductibility of debts is dealt with in Section 5 of the Inheritance Tax Act 1984 and section 103 of the Finance Act 1986.

An explanatory booklet, IHT1, is obtainable by sending an SAE (at least 16cm by 23cm) to the Capital Taxes Office, Rockley Road, London W14 0DF.

New will necessary

Living in Scotland up to five years ago, I made my will there and it is deposited with a Dundee solicitor with a "Scots" friend as my executor.

Living in England now, I wonder if you can tell me whether there will be any difficulty in proving the will as I shall certainly die in England

I cannot think of any but perhaps you can. Will it be quite all right to leave my will where it is?

If your will was not executed in English form, i.e. by your signing in front of two witnesses both of whom then signed to attest your signature, you should re-execute your will to conform with the requirements of English law. It does not matter where the will is located physically.

Executor's dilemma

A legatee has a long history of major mental illnesses, is now home again, and receives fortnightly "moderate" injections. How can a sole executor procure the medical information necessary to ascertain if a receivership application is in order? The legatee, consultant and GP are all being unco-operative.

If you are only concerned to pay the legacy and get a good receipt you can write to the legatee's general practitioner explaining that your purpose in making inquiry is just that; and see if you can elicit an answer which will satisfy you as to the position. If you are doubtful despite the response from the GP you can pay the money into court.

Inspector must decide

If we let our granny annexe/staff cottage (which is attached to our garages but not to the main house, though close to it) previously used by family, guests and domestic help, will this give rise to a capital gains tax liability or is it exempt by virtue of being part of our home and only one sixth of the area of it?

Yours sounds like a borderline case, where much will depend upon the view taken by your tax inspector (or by the Appeal Commissioners) after you have eventually sold your home—unless you are thinking of selling the annexe separately.

Since you will be asking your solicitor to draw up the tenancy agreement, presumably, you can take the opportunity to ask him or her about the possible CGT consequences. On balance, you may well decide that it is not worthwhile to let CGT fears make you leave the annexe empty but your solicitor can explain the possibilities in the light of the three court cases on the point, two of which were won by the Inland Revenue.

Damaged couch

I am in dispute with my insurance company over damage to the couch comprising part of a velvet-covered three-piece suite. It admits liability against my new-for-old policy but insists on confining this to the damaged item whereas I maintain that the three pieces be considered as a unit because it is impossible to re-match the velvet.

It will depend on the precise terms of your insurance policy whether you can recover for the whole suite. If the policy does not provide for the situation where the article damaged is one of a pair or set, you may be unable to recover more than the value of the couch.

· BRIEFCASE ·

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Troubled water

Approximately 35 years ago I gave permission to the owner of a workshop nearby to "tap" my water supply. I did not ask for any payment, nor was there any agreement in writing. The water supply to my house extends for approximately 150 yards from the road, where the stop cock belongs to the water board and the piping to my house belongs to me.

Owing to the age of the pipe which is lead, and the cold winter, I have had several bursts which have necessitated the main stop cock being turned off for 2-3 days until a plumber could be obtained.

My neighbour is now causing trouble, and I wish to terminate his use of the pipe. This would not cause him any great hardship because he now has a bungalow approximately 15 yards away from the workshop. Can I ask him to obtain his water supply from some other source?

If the permission which you gave was oral, not in writing, you are still able to require your neighbour to procure a separate water supply. That position would not obtain if the permission was given more than 40 years ago. If a written permission was given you would have to consult the document in question.

BRIDGE

NOW AVAILABLE in the Master Bridge Series is Bridge With the Blue Team (Gollancz, £8.95), by Pietro Forquet. If you missed the earlier edition, do not fail to obtain a copy of this book—it contains many outstanding hands. We start with this deal from an international pairs event:

```
              N
            ♠ 9 5 2
            ♥ Q 10 8 6
            ♦ Q J 10 5
            ♣ K 10
   W                      E
♠ Q 4               ♠ J 10 8 7 6
♥ 9 4 3 2           ♥ K J 5
♦ 3 2               ♦ K 4
♣ J 6 5 3 2         ♣ A Q 4
              S
            ♠ A K 3
            ♥ A 7
            ♦ A 9 8 7 6
            ♣ 9 8 7
```

At love-all, East dealt and bid one spade. Forquet overcalled with one no-trump which Garozzo, sitting North, raised to two no-trumps. Forquet normally would have passed but, as they needed match points, he went on to three.

When West led the queen of spades, prospects were not bright. It was essential to make five diamond tricks, but how was South to enter dummy for the finesse? East must hold the ace of clubs as well as the rest of the high cards. The only hope was that East had no more than five spades and could be used as a stepping-stone to dummy. The declarer won the lead with his ace, cashed his king, and threw East in with a third spade.

East cashed two more spades, on which South threw two clubs and dummy two hearts. East now made the best return of the four of diamonds, dummy won, and the declarer cashed four of his diamonds. At this stage East held king, knave of hearts and ace and queen of clubs.

When the last diamond was played, on which dummy's 10 of clubs was discarded, East had to bare his ace of clubs; so South led a club to king and ace and East had to lead from his king of hearts into the declarer's split tenace. Superbly played.

We turn to championship teams-of-four:

```
              N.
            ♠ A J 7 5 4
            ♥ A J 8 6
            ♦ —
            ♣ A K 7 3
   W.                     E.
♠ 10                ♠ 9 3 2
♥ 9 7 5 4           ♥ K 2
♦ Q J 8 7           ♦ A K 9 5 4 3
♣ Q 10 9 4          ♣ 8 2
              S.
            ♠ K Q 8 6
            ♥ Q 10 3
            ♦ 10 6 2
            ♣ J 6 5
```

With North-South vulnerable, East dealt and bid one diamond, West raised to two diamonds, and North said three diamonds. To make things difficult, East said four diamonds but South bid four spades. West persisted with five diamonds and North's six spades closed the auction.

Ruffing the queen of diamonds in dummy, the declarer (D'Alelio), placing East with the king of hearts, led dummy's six of hearts. East won and returned the two of spades to South's king, West dropping the 10. The declarer ruffed a diamond with the ace of spades, crossed to hand via the 10 of hearts, and ruffed his last diamond with the knave of spades.

Certain in his own mind that West's 10 of spades was a true card, South returned the seven of spades, finessed his eight, and drew East's remaining trump with the queen. Now he cashed dummy's two heart winners, discarding his losing club, and claimed the slam.

The heart return at trick two is the key play—it kept the lines of communication open.

E. P. C. Cotter

CHESS

IN AN OUTSTANDING British success, Nigel Short and Jonathan Speelman shared first prize at the Subotica interzonal tournament early this week in an outstanding British success. Scoring 10½ out of 15, they were level with Sax of Hungary and ahead of former world champions Tal and Smyslov, of Ribli of Hungary, twice US champion Alburt, and other grandmasters. Tal and Ribli shared fourth place, half a point behind.

The three winners are sure qualifiers for the world title candidates matches which start at St John's, Canada, early next year.

As reported last week, both Short and Speelman are currently ranked in the world top dozen and they will at least maintain that position. Short lost only to Sax and Speelman to Tal. They are joined as candidates by six qualifiers from two more interzonals, and by the 1985 candidates Sokolov, Yusupov, Timman and Vaganian. After one round of knock-out matches, the loser of the next Karpov-Kasparov match join in.

There is still a considerable way to go before we can look forward realistically to the chance of a British grandmaster sitting opposite Gary Kasparov in the ultimate challenge. But there is also the chance of more British candidates: Miles, Nunn and Flear will contest the remaining two interzonals.

Short's fine result marks a rapid recovery from his disaster at Brussels in the spring and restores his reputation as the leading young Western challenger to Kasparov. His opening repertoire has become more incisive; this week's game is a good example.

White: N. D. Short (England)
Black: T. Ernst (Sweden)
Sicilian Defence, Dragon variation (Subotica 1987)

1 P-K4, P-QB4; 2 N-KB3, P-Q3; 3 P-Q4, PxP; 4 NxP, N-KB3; 5 N-QB3, P-KN3; 6 B-K3, B-N2; 7 P-B3, 0-0; 8 Q-Q2, N-B3; 9 B-QB4, B-Q2; 10 P-KR4, N-K4; 11 B-N3, R-B1; 12 0-0-0, N-B5; 13 BxN, RxB; 14 P-R5, NxRP; 15 P-KN4, N-B3; 16 B-R6, NxKP; 17 Q-K3, RxQN; 18 PxR, N-B3; 19 BxB, KxB; 20 R-R2, R-N1; 21 N-K2, Q-R4?

Analysis of this controversial variation has gone so deep that only now does Black take the game out of Batsford Chess Openings. White's attack based on P-K5 is a very dangerous and a better practical defence is 10...P-KR4. At move 21 theory prefers K-R1, but 22 QxRP, B-B3; 23 N-Q4 favours White.

22 P-N5, N1R4; 23 QxKP, B-B1; 24 RxN! PxR; 25 Q-B6 ch, K-B1; 26 QxQP ch, K-K1; 27 R-Q5.

Material is level, but White's three pieces can all join the attack while Black's forces are scattered.

27 . . . Q-N3; 28 Q-K5 ch, K-B1; 29 N-Q4, P-R5; 30 P-R4, P-QR4; 31 P-QB4, P-B3; 32 Q-B4, K-K2; 33 P-B5, PxP.

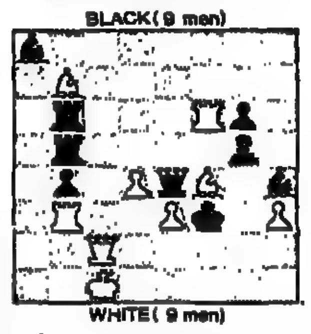
There is no defence, for if Q-R3; 34 Q-B7 ch mates.

34 Q-K4 ch, Resigns.

Black loses his queen, and will soon be mated.

PROBLEM No. 680

BLACK (9 men)



WHITE (9 men)

White mates in two moves, against any defence (by E. E. Westbury). A problem classic, potentially frustrating for solvers. The black king is almost mated from several directions, but the final touch is elusive.

Solution page XV

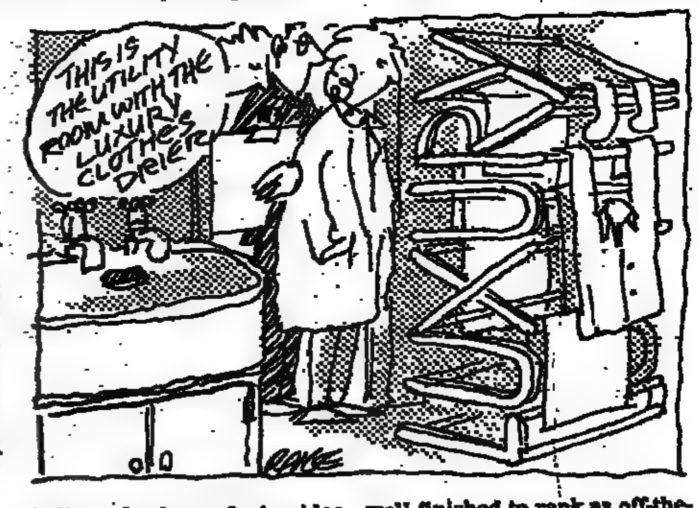
Leonard Barden

London Property

• PROPERTY •

John Brennan takes estate agents to task for their use of language

Life in the lap of hyperbole



"LUXURY" appears so frequently and is used so indiscriminately in estate agents' particulars that the word is in danger of becoming meaningless. Yet for all its failings, "luxury" might still be preserved as a useful word in the agents' vocabulary if both writers and readers of property descriptions had a rough working knowledge of one another's definitions.

This is a daunting but not entirely hopeless task.

The residential developers are prime culprits in adding to the random maze of "luxury" signs. They find it nearly impossible to resist adding a "luxury" tag to every building with which they come in contact. It is only a matter of time before they start to soliloquise about "luxury car parking spaces" and "luxury views".

It is also self-evidently true the some agents' understanding of the term "luxurious" is, to put it at its most charitable, highly individualistic. The only plausible excuse is that they themselves must live in condemned tents on some gothically awful municipal refuse tip, and are so genuinely impressed by the prospect of selling a property with doors and windows that they are inspired to write about these as luxury fittings.

The search for a standard image of what constitutes a "luxury" property is further complicated by an invasion of sybaritic plumbers.

Evidence of these high living teams of bidet-planters comes in sales particulars where properties claim to have, "luxuriously fitted" bathrooms. The luxury fittings are probably left for all to see, but what about this fascinating process of "luxurious fitting?" This conjures up the irresistible image of plumbers in velvet smoking jackets, languidly spannering away amonst the gold tap fittings, stopping now and then to nibble truffle sandwiches from their Fortnum & Mason hampers.

The hope of finding solid meaning for the word lies among those agents who regularly deal with unquestionably luxurious properties. At least some of these agents do seem to have a clear understanding of what they intend to convey when they describe a house or flat as a "luxury" property.

Adrian Wright of Callander Wright regards "luxury" as a relative term. "I don't like the word. I think it doesn't mean a great deal, and we try not to use it, but where it is applied I would think that it means that the property is above the average for the area. So a luxury flat in Wimbledon would be above the average for that area, and a luxury flat being sold from our Cadogan Street office would be above the average for around here.

"But it is a word that is used terribly badly by agents."

Linda Beaney, of Hampton & Sons, accepts that a lot of agents leave themselves wide open for criticism when they overload the superlatives. "I looked at a cottage myself the other day that was said to be 'in need of some refurbishment,' and it turned out to be more in need of demolition."

But what of the elusive definition "luxury?" Looking at flats she says: "My definition would be a unit in extremely good decorative condition, well fitted out, with a good balance of accommodation, closed circuit TV security, a spacious lift; either porterage or 24 hour security, and a good entrance hall with a high standard of design. Ideally, it ought to have car parking, and you're talking of properties in an established good area."

Garry Hersham of Beauchamp Estates echoes the need for a luxury property to have a high standard of bath, kitchen, and security fittings as well as a good location. But he also identifies two distinct types of "luxury" properties.

"There are indisputably grand houses with magnificent rooms, where the minute you go into them you can see that they are luxurious properties, however delapidated they may be. A second category is the gold-taps-and-marble-on-the-floor property, where all the aspects of the work have been at a high standard and you have a very, very fine product. There, the 'luxury' label has a lot to do with the standard of the work, and the finish."

In recent weeks, while Garry Hersham has been busy selling his usual mix of six and seven figure prime flats and grand town houses, Tom Trudgian has been resisting the temptation to add anything as big as a two bedroom flat to his sales list. Trudgian, managing director of Stern Studios, operates at the other end of the market from Hersham in terms of property size and price. Stern deals exclusively with one bedroom and studio flat in London, so it is one agency that rarely has cause to tack "luxury" on to its sale details.

In the small flat business, as Trudgian says, "We don't use the word much. We have to have rigid guidelines about flat descriptions because people wanting to buy a place usually have to waste an enormous amount of time wading through agents' particulars where a lot of phrases used are quite meaningless. We keep the descriptions short, and include a floor plan. That's all they want."

However, selling small flats doesn't mean selling only low-cost, first time properties. "All sorts of people want smaller flats—because of the divorce rate, people are moving out of London and keeping a flat here, people moving in with new jobs,—there are all sorts of reasons, and all sorts of flats." Stern does, therefore, have a number of units that could carry a "luxury" description.

So what does constitute studio-scale luxury? A video entry system would rank on Trudgian's "must" list to get into the running for a luxury label. So too would a *fully-tiled* and well fitted bathroom. "It wouldn't be 'luxury' if it didn't have a bidet . . . that sort of thing. It's the standard and content of the flat, its outlook and position that is all part of it. Yet some people put down 'luxury' if a place has brass doorhandles."

Standards of finish, fittings, and decoration all form part of the picture needed to make up a "luxury" house in the country as well. John Inge of Knight Frank and Rutley has a clear view of the difference between a "fine country house" and a "Luxury country house."

"There is an enormous difference, "because you can have a magnificent country house that hasn't been touched for 35 years. They are the ones that look lively in the summer, with all the doors open, and when the decaying carpets providing part of the charm of the place. It's a different matter in the winter."

Just for the record, such a property would fall into the "fine" country house category. To rate being described as a "luxury" country property it would have to be able to be sold as an instant country residence.

"That's when a property has been very expensively done to a very high standard throughout, with all the latest fittings, and beautifully presented," says Inge.

One common denominator of "luxury" properties in town and country is that they should be ready to move into straight away.

As John Inge says: "There are many more people now who want to buy a country house and move into it within a month or so. They do not want a place where it may take a few months to carry out building work, they want immediate entry." These houses, which are sufficiently well finished to rank as off-the-peg country estates, would normally justify a luxury rating as well.

Although the agents do have a pretty clear view of what is, and what is not, a luxury property, this selectivity doesn't always survive as far as their sales descriptions. Often enough, that's because of their clients.

If everyone instructing an agent to handle a property sale asked for brochures and sales material that contained only the unvarnished truth, it is possible that "luxury" would turn up far less frequently. But, as Garry Hersham explains, sellers rarely take an objective view of their own homes.

"When people ask you to look at a property to sell they will often say that it is quite out of the ordinary; they are sure it is the best presented house or flat you've ever seen. What they forget is that you've probably seen 30 or 40 places that week, every one of them with someone who thinks that its the best thing on the market."

Linda Beaney finds that while individual owners are certainly keen to see their home promoted as hard as possible, they would seem comparatively unconcerned alongside the residential developers. They increasingly insist on checking and revising every comma of an agent's sales particulars, and retain an uncontrolled passion for "luxury" as a way to giving buyer-appeal to a property.

Like that old favourite but long since debased description, "a prestigue property," "luxury" could be heading for the scrap heap of usable adjectives. Meanwhile, it is working hard. It still helps to keep vendors happy. It still serves as part of the agents' shorthand. And it may even tell prospective buyers something about a property, although they had better keep an eye out for those video entry phones and bidets if they want to be sure.

CRICKLADE, *a few miles south of Cirencester over the Wiltshire border, and north from Swindon from the M4, is Cotswold fringe country with more than its share of fine properties. But a substantially unmodernised Queen Anne Town House is something of a rarity even here. The Cirencester office of Jackson-Stops & Staff (0285 3334) is looking for offers around £215,000 for the six-bedroom house with walled garden backing onto the churchyard.*

Country Property

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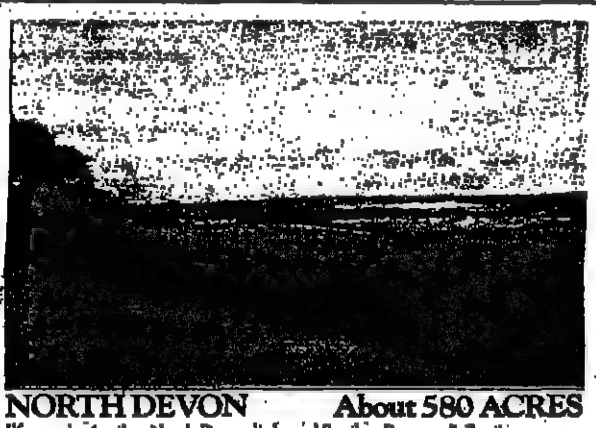

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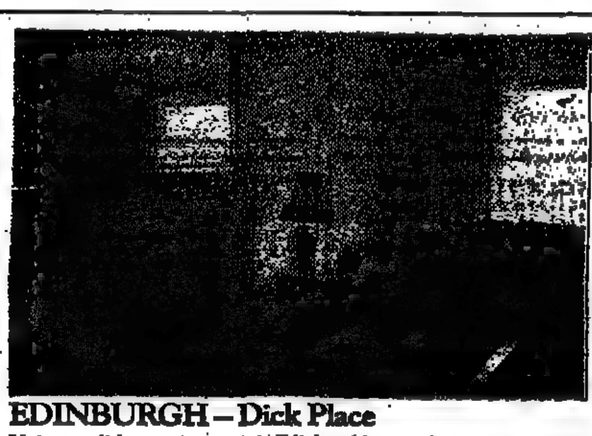
Savills, London. Tel: 01-499 8644



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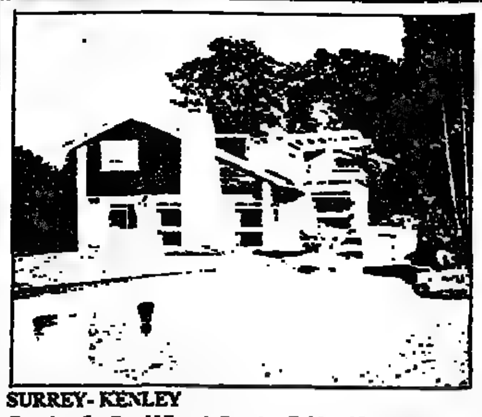

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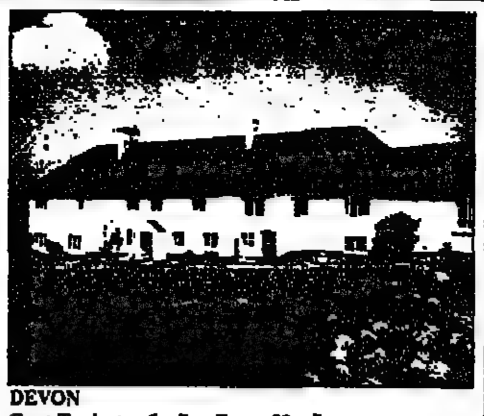

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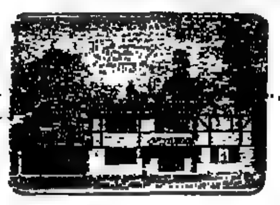

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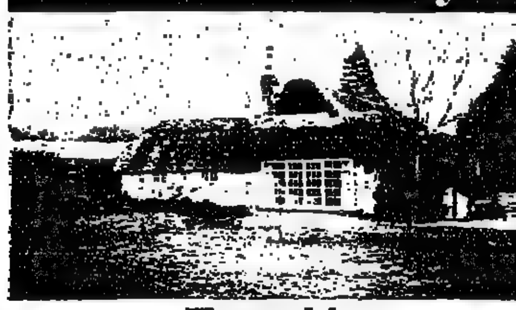

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London Property

Country Property

Michael J. Woods visits offshore nature reserves

England's unsung isles

THE MUSIC coming from the breach in the cliffs was of a peculiarly dramatic kind. From the depths far below came the bass boom of seas breaking against the rocks, while close at hand I could hear the frenzied screams of dozens of gulls.

Their sound echoed and re-echoed round the chasm as the dapper grey-and-white birds floated on the breeze or sat on their nests stacked impossibly up the sheer cliff faces, clinging to the slightest ledge.

From time to time the sitting bird would rise to reveal either eggs or downy chicks.

The terns which nest on the flatter part of the island are equally noisy, though their screams reach a higher pitch. More disconcerting is their tendency to dive on interlopers.

Such hazards are all part of the excitement of a trip to the Farne Islands off the Northumberland coast. Made famous by the bravery of Grace Darling in 1838, these islands have since been acquired by the National Trust and are well known for their large numbers of nesting birds and colony of grey seals.

The sheer noise and scale of the nesting colonies; the closeness of birds like the brooding eiders, who remain still under the closest scrutiny; the comic nature of the bright-beaked puffins as they whirr into clockwork flight on stubby wings; the beauty of the terns or sea swallows — all add up to a magical trip.

Although there are about 30 islands in the Farnes group, only Inner Farne and Staple Island are open to the public. Boats leave Seahouses and navigate around the islands before putting passengers ashore for about an hour. The return journey may be enhanced by the sight of Manx shearwaters skimming the waves, or perhaps a fishing party of gannets diving vertically onto a shoal of fish.

Like the Farnes, many of England's offshore islands lack fixed landing facilities, relying instead on a firm hand and a wooden plank to see passengers safely ashore. Nowhere is this more true than Steep Holm in the Bristol Channel. In an estuary with the second highest tidal range in the world, the powerful currents which swirl around the island are ferocious at times.

The steep climb to the top of the island follows the track of a disused cable railway, passing on the way a plaque to the late Kenneth Allsop, the writer and naturalist, in whose memory Steep Holm was purchased.

From the summit, on a hazy day, the sea and land appear indistinguishable — you could as easily be at the top of any one of the rounded hills that dot the nearby Somerset Levels. Past inhabitants — monks of the Augustinian order — left a legacy of plants.

A rare wild leek grows on the cliffs, while a lush waist-high jungle of alexanders, planted originally as a mediaeval pot-herb, has invaded the plateau, providing cover for a number of muntjac deer that were introduced on an experimental basis some years ago. Whilst these remain hidden, the colony of nesting herring gulls is noisy and obvious.

Flat Holm, the sister island to Steep Holm, is quite different in nature. It is lower, and its lighthouse and new field studies centre mean that it has permanent human inhabitants.

'The sheer noise and scale of the nesting colonies; the closeness of birds like the brooding eiders: the comic puffins and the beauty of the terns add up to a magical trip'

It is now taking on the role of an educational nature reserve to be run by South Glamorgan County Council. The old farmhouse has been converted to accommodate visitors while local historians are seeking to repair the island's cholera hospital, a building that fortunately has never been used for the purpose for which it was intended.

Flat Holm also has its herring gulls, as well as being noted for a flourishing population of slow-worms. Rabbits thrive there.

A tamer boat journey will see you on the balmy shores of Brownsea Island. Set in the beautiful surroundings of Poole Harbour, it lacks the ruggedness of its more maritime cousins but is well worth a visit for it offers the almost unique opportunity of seeing native red squirrels in the wild in southern England.

Walk quietly through the Scots pines, treading softly on the brown needles to avoid cracking twigs and stopping frequently to listen. With care and a little luck the rustle of foliage overhead should reveal one of these creatures climbing nimbly to the end of a twig in order to feed on the cones.

Meanwhile the denser stands of bracken provide good cover for sika deer. Although their droppings and other signs will be obvious, you are unlikely to see these furtive ungulates, for whom this area of Dorset is a stronghold.

A proportion of the island is managed as a nature reserve by Dorset Naturalists' Trust, and although general access is barred there are normally guided walks led by trust members. The site of the very first Boy Scouts camp, Brownsea is now owned by the National Trust which provides a number of facilities including a tea room and a shop for National Trust goods.

The return voyage to Poole lacks the drama of some of the journeys from more remote islands. Once, returning from the Farnes, a white sea fog encased the boat. While the sun was eerily visible overhead, the mainland had disappeared. A smocked boatman stared out to sea from the bows. As he seemed to be puffing nervously at his cigarette, I wondered if it was time to start the community singing. Just then, an equal distance apart on either side of the boat, the twin quays of Seahouses harbour loomed from the fog. The other passengers were spared my voice.

● The Farnes. Three boatmen make trips to these islands from Seahouses. You should contact them in advance and then first thing in the morning of the day of your trip by telephoning Seahouses (0665) 720308, 720388 or 720155. Current costs are £12 per person for the boat together with a landing charge payable to the National Trust (members free). Further information from the trust's information centre — Seahouses 720424.

● Steep Holm is managed by the Kenneth Allsop Trust. Details of visits to this island are arranged through the trust by telephoning 0963 32583.

● Flat Holm. Contact Glamorgan County Council to organise visits. Telephone the project officer on Barry (0446) 747661.

● Brownsea Island. Boats depart from Poole Quay or Sandbanks for Brownsea at return fare of £2.10 fo adults and £1.30 children. This is another National Trust island; there is a landing charge of £1 for adults and 50p for children (trust members free).

A CRUISE TO AMUSE

THE ULTIMATE cruise — three and a half months through the Pacific and the Orient — will be launched by Cunard in January, writes Annalena McAfee. The company's luxury liner *Sagafjord* will set sail from Florida on January 6, calling at ports in the Caribbean, South America and South Pacific and will include New Zealand, Australia, Thailand, Hong Kong and Shanghai before returning to Florida on April 23.

Prices start at £16,995 per person for the full three-month cruise, going up to £67,625 for a luxury suite. Passengers can, however, opt to take shorter cruises, from 96 days to 12 days. The latter option, from Hong Kong to Yokohama, has a starting price of £2,380 per person. Further details can be obtained by calling Cunard on 01-930 4321.

● Train enthusiasts are offered a three-day package to celebrate the 150th anniversary of Austrian railways. For £210 per person they receive food and accommodation, public transport tickets, tramway rides, museum visits and a steam train journey. Contact (01) 629 0461.

● Trusthouse Forte Hotels is promoting a new range of holidays in Ireland. Rail/sail/drive comprises two nights' food and accommodation, rail and ferry travel and car hire. Prices start from £125. Contact (01) 567 3444. A self-drive package comprises six nights' board and accommodation from £192 per person and a fly/drive package offers seven nights hotel and board and car hire from £323 per person.

Steering to the future

STEERING columns have come a long way since they were metal rods connecting the wheel with the steering gearbox. Now they carry controls, collapse to protect the driver's chest in a crash and have integral ignition and anti-theft locks.

In the US about 70 per cent of them have tilt adjustment of the wheel. Here in Britain only about 10 per cent have provision to alter the rake of the wheel either by tilting it or moving the steering column up and down. If Saginaw division of General Motors has its way, things are soon going to change.

Saginaw thinks European motorists are ready not only for tilt adjustable steering but may soon want steering wheels with fixed centres carrying controls now dotted around the fascia. A keyless ignition lock operated by coded buttons is a possibility; after all, we are used to cash dispensers and PIN numbers.

Eventually, the hub might carry a voice recognition operated carphone. You just tell it the number you want and electronics will do the rest.

Before that, though, we will have powered tilt mechanisms for the steering wheel that memorise, say, a husband's and wife's favourite positions. The wheel will be tilted at the touch of a button, and, simultaneously, the powered door mirrors will be adjusted to the correct angles for drivers of differing heights.

This is not a futuristic fancy. It works now. Last week, I tried a Cadillac Cimarron equipped with just such a system that could be on production cars next year, if customers are prepared to pay for it. They might soon find it is as desirable an extra as power-steering, automatic transmission, electric windows and sunroof.

Price has been one of the factors holding back European makers from using tilt-adjustable steering. It adds around £100, Saginaw says, to the retail cost, although in the US it is a bit cheaper at $125 (under £80). As with air conditioning —fitted to about 70 per cent of cars made in the United States — large-scale manufacture makes tilt steering cheaper.

But even now, higher resale value of tilt-steering cars in the US recoups most of the extra initial cost. Saginaw thinks this will happen in Europe, too.

Other Saginaw ideas that will soon be on offer, not just to General Motors companies but to the car industry as a whole, include four-wheel steering and a speed-sensitive power steering system.

I tried four-wheel steering on a Pontiac Fiero, a compact and muscular mid-engined, two-seat sports car. Like the four-wheel steered Honda Prelude it made manoeuvring in confined spaces seem impossibly simple.

● The worst feature of many diesel cars is the clatter they make for a minute or two after cold starting. It can be reduced greatly if the fuel has an anti-cold-start knock ingredient.

Ethyl Corporation sent me a sample which took the "hammer and anvil" element out of my Peugeot 305GRD's start-up song each morning. I thought it made for even quieter running when normal temperature had been reached.

According to Ethyl, it should add only a fraction of a penny to a gallon if the additive were incorporated in the fuel at the refinery. Ethyl is optimistic that some of the oil companies have got the message, especially as the additive makes exhaust emission better, not worse.

Stuart Marshall

The new front-wheel driven Type 164 (pictured above) should transform Alfa Romeo's fortunes. Instead of living on past glories, this old and respected manufacturer — taken over recently by Fiat— will have a really up-to-date product to sell to business motorists.

It makes its debut at the Frankfurt Show in September, although right-hand drive versions will not reach Britain until mid-1988. The big seller here is likely to be the three-litre V6, followed by a two-litre four-cylinder with twin spark ignition.

The other day, Alfa lifted the curtain of secrecy surrounding the 164 and I briefly tried the V6 and a 2.5-litre turbo-charged and intercooled diesel which is unlikely to come to Britain. On a mixed route including twisty country roads and some autostrada, both cars impressed with eager performance— even the diesel showed 125 mph (20 km/h)—combined with minimal noise levels.

The handling is sporty, too, but has not been obtained by sacrificing ride comfort. Quite the reverse; the 164 smothered the bumps like a Jaguar with a similar freedom from tyre noise. The power steering is ideally weighted; the five-speed gearbox has a silky shift and the interior should appeal to the kind of person who now buys BMW, Mercedes-Benz, Audi or Rover.

Prices are likely to be a bit higher than those of the Lancia Thema, with which the 164 shares some structural components—so do the Fiat Croma and Saab 9000. Automatic transmission will be available with the V6 engine. Future developments will include four-wheel drive, which will first be seen on a two-door coupe version. But that is some way off.

S. M.

Saleroom

Driving bargains

Antony Thorncroft goes round the sales of golfing memorabilia

Detail from illusration on silver and enamel golfing cigarette case, made in Birmingham in 1911

THE FACT that the world of golf has gathered this week at Muirfield for the Open has not been lost on the salerooms. Christie's was busy selling golf memorabilia in Glasgow on Wednesday, and Phillips followed on in Edinburgh the next day. Sotheby's weighs in on Tuesday in London.

The auction houses' conviction that there is an insatiable market for antique golf clubs and balls, for portraits of golfing greats and for mementoes of the game, is not completely shared by its addicts. There have been some extraordinary prices paid for golf articfacts—Sotheby's holds the record for a club with a price of £12,500 for a late 18th-century wood—but in general golfers seem to prefer getting out on the links and hitting the ball to polishing up their collections.

Prices for the less-than-amazing have not moved much in recent years, and what interest there is stems from the US and Japan, where the queues to get a round are so long that there is plenty of time to dwell on the history of the game.

Christie's had the prize item—nine golf clubs, made of wood, by John Jackson of Perth around 1830 for the Duke of Atholl at Blair Castle. The Duke does not seem to have pursued his interest; the set is unused and was found recently in an umbrella stand in the attic of the Castle. They sold for £51,350, with one, a scared head long nose putter with hickory shaft, making the top price of £6,000. It will go into the British Golf Museum which is being started at the Royal and Ancient, St Andrews.

The blasé attitude of golfers to their past was reflected in two early iron golf cubs, made by the local blacksmith around 1820, which were also found in the Duke of Atholl's attic. Though expected to sell for up to £7,000 each they found new homes at £5,500 and £4,620. On the other hand one of the noble golf balls, filled with feathers and made around 1830 by John & William Gourlay, the most distinguished makers, did well at £2,090.

While the impedimenta of golf fails to be fully appreciated, books and pictures on the subject have a wider appeal. Londoner R. W. M. Addison never wielded a club in his life but his collection of books did amazingly well at Christie's, in particular "The Maiden," a golfing epic by Webster Glynes, published in 1893. The saleroom placed a modest estimate of £80-£120 on this light-hearted tale but two keen collectors bid it up to £2,860.

Its rarity enhanced its value. It was the same story at Phillips the next day when a little booklet, "Pen and Pencil Sketches of the Game of Golf," sold for £8,360, almost double the forecast. It is a slim volume, published in 1880, and written by George Aikman, but it was previously unknown and so much desired. "Golfiana, or Niceties connected with the Game of Golf," written in 1842 by George Carnegie, dealing with the vagaries of golfers at St Andrews in those early days, also did well at £6,100.

There was a major American presence at both auctions, with the Old St Andrew's Gallery of St Andrew's, acquiring many lots for export abroad. The British Golf Museum was also active. Undoubtedly some of the finest collections of golfiana are locked up inside club houses, admired by members but unseen by the public. If they were ever to be liquidated the market could soon be flooded. So far professional golfers seem immune to the history of the game but the coincidence of the three sales could stimulate new buyers.

Sotheby's decided against holding its auction in Scotland. Past experience has been depressing and it thinks it is better to get the golf out of the way first. It is confident that it is offering at least two lots which will get the fanatics drooling.

One is a second edition of Thomas Mathieson's "heroic-comical poem 'The Goff'," first published in 1743. Phillips secured £17,000 for a copy in 1986 and although this version, which turned up in a job lot of books, carries a top estimate of £12,000, it could do much better. It is odd to think that the work was unknown until very recently and now this is the third copy to appear on the market in quick succession.

The other prize lot at Sotheby's has a similar background. It is a portrait of "Old Tom" Morris, the Father of Golf, painted by the respected artist William G. Mackenzie in 1904, two years before Old Tom holed out. It appeared recently at a country auction where it changed hands for a few hundred pounds because the venerable figure was not recognised as the greatest golfer of his age and three time winener of the Open. Once again bids of up to £12,000 will be needed.

Sotheby's auction is modest in size, mainly because it reckons to lose money on lots with a value below £200 and most golf items still cost less than this at auction. But it does stretch itself if a good name is involved. The Duke of Windsor's golf score device of around 1930 may be made of bakelite and only 3½in in diameter, but it does carry the Prince's name. A top estimate of £200 seems cautious, given the excessive prices paid for Windsor memorabilia at the Duchess of Windsor auction in Geneva in April.

Sotheby's has padded its auction out with 20-odd lots relating to cricket, a game with a much more fanatical collecting following, but one which Phillips and Christie's have dominated until now. The bat with which R. E. Foster made 287 against Australia in 1903 in his first Test is on offer for around £600, and a W. G. Grace hankie, commemorating a century of centuries, should fetch slightly less. But it has been golf's week and there are signs that nostalgia for the game is extending beyond the 19th hole.

Collecting

Early Moderns

SILVER END, near Witham in Essex, is not on the ordinary tourist route—which is perhaps a pity. For here, hidden away in outer commuterland, is Britain's earliest and most extensive practical manifestation of the International Modern Movement in architecture.

Today, Silver End seems lost in time, a relic from the era of industrial Utopianism which created the garden village. Here, in 1926-27, the Crittall family, pioneers of standard steel-framed windows, established an environment for their employees. Instead of rustic mock Tudor, the Crittalls settled for 1920s' modern and engaged architect Thomas Tait to design functional, flat-roofed, steel-windowed, concrete-walled cottages, ranked like an Expressionist stage setting. At one end of the main street is a kind of circus; at the other, a larger house than the rest, imposingly called "Le Chateau" and probably intended for the factory manager.

The making of Silver End was generally credited to F. H. Crittall, the first Lord Braintree and founder of the firm; but it seems likely that the major influence was his son, W. F. Crittall. Something of the work and personality of this forgotten patron of modern art and design comes to light with the auction, on July 22 of the contents of New Farm, Great Waston, Great Dunmow, Essex — a modernist house which was built under his direction in 1934.

Crittall acquired his love for art at the St John's Wood Art School, in north London. His ambitions to be a painter were frustrated when his father insisted he entered the family business. His energies were soon diverted to the technical and design problems of metal windows, in which he became an expert. As a member of the Design and Industries Association, he was associated with the foremost designers of the day.

The collections at New Farm reflect the tastes of a design enthusiast of the '20s and '30s. Alongside old English Staffordshire and Delftware and Oriental peasant ceramics are works of modern artist potters like Michael Cardew and Katharine Pleydell-Bouverie; and the honest virtues of 17th-century oak and Georgian mahogany are juxtaposed with a chrome swivel stool by Le Corbusier, said to have been presented to the Crittalls by the designer himself. On the floors, antique Oriental rugs lay side by side with jazz modern '20s carpets by Marion Dorn.

The paintings include works by Eric Ravilious and Sir George Clausen, who was a long-time friend of Crittall and went with him on painting expeditions to Walberswick on the Suffolk coast where they also met the writer A. E. Coppard, who figures largely in the New Farm library.

The most intriguing aspect of Crittall, however, is his work as amateur furniture designer, a modest contemporary and follower of Gordon Russell and Ernest Gimson. The furniture he planned was made for him by E. W. Beckwith, the local cabinet-maker and wood-carver from the nearby village of Coggeshall.

The results of their collaboration might not merit a prominent place in a museum of 20th-century design — there seems to have been a good sense of proportion but a weakness for over-elaboration —but it is fascinating as one man's comprehensive plan for the furnishing of his home. It is a pity there is no Silver End museum to preserve these striking period pieces in '20s modern style.

Phillips, which is holding the New Farm auction, is estimating the furniture modestly. An inventive centre table with geometric motifs is reckoned at £1,000-£1,500, and a handsome set of 14 dining chairs of classic rail-back form at £2,000-£3,000. These, as well as some of the minor items, could be interesting speculations for an adventurous collector of 20th-century furniture.

The collection is very much the man: on the same day as Phillips auctions the contents of New Farm on the premises, Christie's is selling the library of an obscure Victorian architect, James O'Byrne (1835-1897), which has miraculously remained intact since his death.

A surviving photograph shows Byrne as a slightly rakish figure with a smoking cap and cigar. He studied under the great champion of the Gothic revival, A. C. Pugin, and most of his career seems to have been involved in ecclesiastical work, mostly for the Catholic church in the Liverpool area.

The interest of his library is, again, its expression of an individual and cultivated taste. O'Byrne clearly was an avid book-buyer, with a fine and eclectic collection relating to art and architecture. His interest was by no means confined to Gothic: there are books on Moorish and Oriental buildings, and his fine collection of Piranesi's works on classical architecture forms the most valuable section of the library.

Inevitably, there are all the publications of his mentor, A. W. Pugin. The most intriguing lot, however, is a collection of box files in which the methodical O'Byrne gathered prints, photographs and press cuttings illustrating the work of his more prominent contemporaries in the Gothic revival. Gilbert Scott, Norman Shaw, Alfred Waterhouse, Street each are allotted William Burges and G. E. individual files. An illuminating property for an architectural library, perhaps, the lot is estimated at £700-£1,000.

These, like four large albums of O'Byrne's own meticulous drawings of architectural details from ecclesiastical buildings, presumably were study materials for his own practice. Clearly, he kept up with current taste and design even in his 60s: his subscriptions to the *de rigeur* art magazines of the period—*The Art Journal*, *The Magazine of Art* and *The Studio*—appear to have continued to the very end of his life.

He found time for non-occupational reading, too. The library includes *The Century Magazine*, the monthly *Vanity Fair* and the complete works of Dickens and Ruskin. It is nice also to discover that between providing Gothic churches for northern England, O'Byrne found time to devour the latest adventures of Sherlock Holmes (who, incidentally, celebrates his centenary this year).

Janet Marsh

Robin Lane Fox in praise of orange blossom

Scent from heaven

EVERY July I think it, but this year I have done it: I need to plant more Philadelphus.

No-one I hope is unaware of this exquisite shrub — the one with the white flowers and the scent which ranges from tangerines through orange blossom (its popular name) to the fragrance of roses. On summer evenings it is divine and an intimation of a more perfect world. As the air cools, the scent strengthens and the white flowers stand out in the half light. A scented Philadelphus is the best companion for late walks home or slow garden strolls after dark.

This year my plan has been to have Philadelphus hedges. They are intended to be more of a Mock Orange Walk than a Philadelphus barrier; they are spaced quite generously, and are supposed to touch branches in an informal avenue which I need not visit during its bare winter. The intervals of 6 ft look generous now between the young bundles of twigs but I fear they will be colliding in the 1990s. If so, the Mock Orange will have to be pruned immediately after flowering.

Next year's flowers come on the growth which is made in the rest of this season. Pruning in springtime is wrong; if you prune at all, the job must be done in the next fortnight.

I have one or two particular Philadelphus preferences: the first concerns depth of planting. The smaller, bushier varieties must be set quite deeply in the earth. Deep planting encourages the thicket of stems which they like to send up from ground level. They make a better shape which needs less pruning.

My other preference concerns the best varieties for particular purposes. I cannot see the point of varieties which have no scent, but some of them may mislead you because they flower so freely. The worst offenders are Brachybotrys and Burfordensis, two maghificent flowerers which have no smell at all. I have grown them both and will not repeat the error.

Double-flowered forms are also a puzzle. Much the most popular is Virginal, which I used to plant, though without much confidence in its good manners.

It becomes lanky with age and sometimes can be shy about flowering. In a bad mood it throws up mases of shoots and heavily dark green leaves at the back of a mixed border, but shows only a slight dusting of double-white flowers. Pruning does not improve its contribution, and so I have gone off Virginal and changed to a new American alternative.

Gardening

Minnesota Snowflake is offered by a few shrub nurseries and I suspect that its extreme hardiness causes it to flower freely in our worst summers. It is a rounded shrub about 7 ft high and its branches arch attractively to hide its lower legs. The white double flowers are bunched in clusters and smell quite strongly; I think it is now the best tall double because its flowers are bigger than Enchantment's and its shape and manners are more accommodating than the aptly named Virginal.

I much prefer the forms with large flowers. My top two are Belle Etoile and Beauclerk, 60 of which make up my Mock Orange walks. The former has white flowers with a purple stain and noticeably brown young stems, whereas the latter is white with a centre of golden anthers. Both are 6 ft shrubs, superbly scented, and not suited to the small spaces in which unwary gardeners sometimes confine them.

In such spaces you should really try the wonderful Sybille, which grows to four feet high and wide and is like a marvellous Belle Etoile on a smaller scale. It will grow at the top of a low dry wall, in paving or on a terrace, but it really does reach four feet.

Microphyllus is smaller in height and flower and is not such a rapid grower. Where Sybille is too large, I rate it second best. It smells strongly of sweet pineapple.

Lastly, one Orange Blossom for a difficult corner, and another for connoisseurs. Plain old Philadelphus Coronarius really will grow in nasty dry soil lightly shaded by trees. It flourishes in the angles of ill-favoured town gardens and can tolerate cats and traffic. It is excellent in light woodland, or below tall fruit trees.

Admittedly it is small-flowered, but it is the answer to gardeners who say they have no room for another shrub. They can try Coronarius by the dustbins where its scent will be a blessing.

As for the connoisseurs, they too have dustbins, but I think they might prefer a less familiar Orange Blossom called Innocence. Hopleys of Much Hadham sell it and it develops gradually into an Orange Blossom, six feet high, with creamy white markings on its leaves and heavily scented white flowers.

Innocence is not the fashionable white variaagated form which goes brown at the tips in a dry place or a dry summer. Its flowers are more conspicuous and its habit is more elegant. Whereas Coronarius starts the season in early June, Innocence prolongs it into late July. With this knowledge you can prolong the season of a heavenly family over the two best months of the year.

Arthur Hellyer on the mysteries of plant breeding

Thoroughbred strains

FOR MANY people plant breeders are like wizards who produce marvellous new varieties from very ordinary material. Who could have imagined that the enormously varied dahlias we grow today could have emerged from a handful of wild plants with rather undistinguished flowers bearing a single circle of petals in shades of pink, red and purple?

Or that the gigantic double-flowered begonias which attract so much admiration at summer flower shows could be the offspring of parents with quite small flowers? Or that the towering delphiniums we have come to take for granted have probably all descended from one original parent with very unspectacular flower spikes?

The answer to all these and many similar questions is that no one could have foreseen these results, not even the breeders. All worked with chance as a large factor, growing different species or varieties side by side in the hope that insects or wind might cross-pollinate some of them, or trying to make pollination a little more likely by transfering pollen manually from one flower to another.

Some of this was wasted effort, at least with true species, for nature has taken care to prevent stable plants from being unsettled by mongrel alliances. Yet just occasionally this incompatibility would be broken. Such unexpected breakdowns have led to the development of dahlias, begonias, roses, gladioli, chrysanthemums and orchids.

More often things have advanced with the chance mutations that plants frequently produce. Usually these are lost almost at once since they provide no advantage in the struggle for existence, but they may be seized on by sharp-eyed gardeners who realise their potential garden merit. Then pains are talken to ensure that mutants, or sports, are preserved and used for further development.

This was true of the Spencer sweet peas with their large, wavy-petalled flowers which appeared unsought, in the early years of this century, in at least two places at about the same time. They were noted, isolated, and preserved from contamination with pollen from normal, plain-petalled sweet peas. Now almost all the varieties we grow are of the Spencer type.

It was almost certainly a natural mutation of this kind which gave George Russell the first lupin with widely expanded keel petals, which in turn gave the whole flower-spike a much more solid appearance. I believe that, on his allotment in York, where the original breeding was done, he had planted other lupin species with the garden varieties derived from *Lupinus polyphyllus*. He believed, I'm sure, it was cross-pollination between these that accounted for his success. But I have never seen any evidence to convince me he was right. Seed saved from Russell lupins either produces more seedlings of the Russell type or seedlings that revert to the old *L. polyphyllus* flower-form with folded keel petals.

The lupin: bred by George Russell in York

What impresses me most, looking back at the major flower breeding programmes over the past 150 years, is how quickly plateaus of excellence were attained, after which there were only small advances. Both herbaceous phloxes and peonies were already fully developed by the time I came into gardening in the early 1920s. Delphiniums reached their zenith in the 1930s. The chief subsequent development was the introduction of excellent seed strains which now dominate the popular market.

Daffodils, which as garden varieties scarcely existed a hundred years ago, were also fully developed by mid-century. There have been breaks and developments since then but compared with the early years they are of minor importance.

Further breeding of ornamental flowering plants is not, of course, useless. Old varieties deteriorate and, like Alice, one must often keep running to stay where one is. There are also smaller but important developments to be made, often to meet particular commercial requirements.

Last week I visited Floranova in Norfolk, one of the few British companies engaged in the breeding and wholesale distribution of flower seeds. Floranova's customers are the commercial pot plant producers, the bedding plant nurseries and the public parks departments. All have different needs. The pot plant growers require plants that are very compact and so easy to pack for transit to market; flowers must come early and stand up well above the leaves so that they are fully displayed. The bedding plant suppliers also want compact plants that do not take up too much room in their greenhouses, but the parks' superintendents like plants that spread so that they do not need so many to fill their display beds.

Breeding varieties to meet such tight specifications as these can be very demanding but also highly rewarding for those who succeed. To the outsider the difference between the successes and the failures may not seem great but to the breeder it can spell the difference betwene fortune and bankruptcy.

Yet even in this highly specialised work, where all the senior staff seem to have science degrees, it is acute observation rather than wizardry that seems to produce results. Quality control is immensely important since a few microscopic grains of pollen reaching the wrong flowers could ruin the purity of the mother stock and be multiplied disastrously in bulk production.

But maybe wizardry is about to creep in. For years we have been told that genetic engineering is ready to make a breakthrough into practical plant breeding. That day has not yet arrived.

But when it does it may be possible for scientists to transplant genes with as much assurance as surgeons now transplant hearts, kidneys and livers.

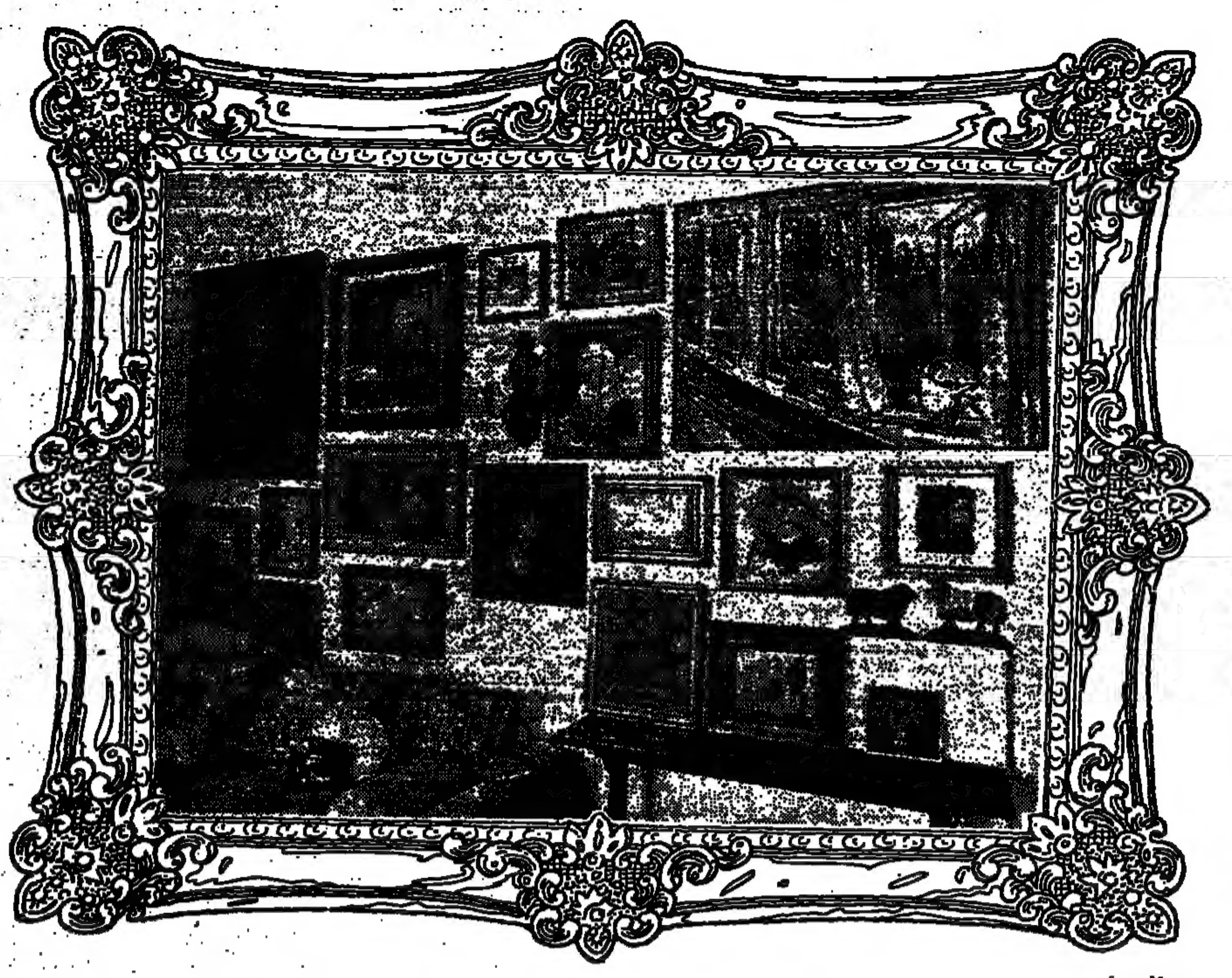
· DIVERSIONS ·

Choosing a surround for a painting is all-important. But where to go? Try these for size...

HOW TO SPEND IT

Lucia van der Post

The frame game



Clothes may not maketh the man but frames can make or break a picture. Here, frames, simple and ornate, show just what they can do for a picture—and what pictures, in turn, can do for a wall

Anne Morrow

FRAMING a piece of art is an art in itself. Many famous painters, like Seurat and Van Gogh, felt so strongly about the matter that they made and painted their frames themselves. The wrong frame can make a work seem dull and inconspicuous, or else it can overwhelm it with its self-importance. Choosing the frame that complements and brings out the picture's inherent qualities takes the eye of an artist, the skill of a craftsman, and the technique of an engineer.

These days, there are frames for all seasons—quick clip-on systems (only, in my view, to be resorted-to in in cases of dire poverty); simple wooden and aluminium frames; and a whole host of hand-made, bespoke frames, lovingly carved, painted and gilded to suit the picture round which they will sit.

If you have a picture that is badly framed, or a new one you are longing to hang, the most important step is to go to somebody whose eye and taste you trust. Keep an eye open in galleries and other people's houses for which frames you like, and then ask who did them.

There are plenty of cowboys about to be wary of—it doesn't take much capital to set up in a garage and offer a cheap and simple framing system but, in the long run, the results are usually disappointing. Even if it is just a colourful poster, you will find you get more long-term pleasure if it is handled with care and taste.

Here, then, is a guide to just some of the many framers around. I have not included some of the best-known establishment names, largely because they are already so well-known. I have tried to uncover some more specialist services, and to give a range from the speedy and do-it-yourself to fine, specialist gesso work.

●

Fix-a-Frame, 280 Old Brompton Road, London SW5 (open Tuesdays to Fridays from 11.30 to 8 and Saturdays from 10 to 6); and 47 Fairfax Road, London NW6 (open Tuesdays to Saturdays from 10.30 to 5.30 and on Thursdays from 10.30 to 7, but DIY only on Thursdays and Saturdays).

Fix-a-Frame offers the customer a chance to get to grips with the craft of framing themselves, in other words you can come in armed with your print or poster (I wouldn't recommend this system or service for valuable works of art) and put together your chosen frame. This offers two main advantages: it's cheaper—a print 20 in by 30 in framed in a 0.5 in woden black frame would cost £18.98, including dry mounting and VAT; (if Fix-a-Frame did the whole job for you it would cost £27.98). And it's quicker—an hour and a half instead of two to three weeks if they do it for you.

Although the system offers an introduction to framing, you don't get to learn the really difficult skills; the cutting of the frame, the glass and the mount is all done for you. You do get to clean the glass, attach the picture to the mount, put the hangers onto the hardboard, staple the picture and hardboard together, put on the backing paper and then assemble the whole caboodle. You are supervised throughout and if you make some crashing mistake you won't be charged.

Most of the frames and mounts are fairly simple; the idea is more suitable for modern works and inexpensive prints than valuable oils or old masters.

●

Frame Factory and Mirror Factory, 20 Cross Street, London N1, and 9 Norfolk Street, Cambridge

If you want to see a vast choice under one roof, Frame Factory is the place for you: a 4,000 ft factory where they can frame anything from a tiny postcard to a picture some 10 ft by 5 ft. They can also frame most things while you wait—though the wait does vary with the complexity of the frame and mount you choose. They are exceedingly flexible and quite unstuffy; whether it's your child's end-of-term effort or an old master you've just inherited, they'll be happy to cope. Jess Goodchild, whose brainchild the place is, says they are expert at "ducking and diving"—that is, at improvising to meet whatever challenge comes their way. He can frame 30 modern prints for an advertising agency in an hour and a half or take great care over adapting an 18th-century frame to fit a treasured oil. He has just bought a job lot of 18th and 19th century frames ("all gesso, carved wood and gilt") and although most of them are being used as mirror frames some can be adapted for pictures.

He nearly always has some old frames in stock and if you want to use one, its best to choose a large one and use s[illegible] mounts to fill the gap. He also does a lot of framing of modern prints and pictures; his prices are so good that it becomes a feasible proposition to frame something as inexpensive as a postcard: for instance, a picture 8 in by 10 in would cost about £2.30 if simply framed; with a mount it will cost a little more

●

Frame Express of 82 Charing Cross Road, London WC2, and seven other branches (in Old Brompton Road, Kensington High Street, King's Road, Sutton, Wimbledon, Baker Street and Fulham Road).

The place to go for professional framing within a day. It will do anything from a poster to traditional framing with multiple mounts and inclines, using gilt or moulded frames. All their frames are made up on site in each branch and most of the staff are art graduates fuly trained in the art of framing and equipped to give good advice. Frame Express also offers conservation mounting — though obviously more expensive, this is well worth while for valuable prints or pictures; the acid-free mounting prevents any deterioration in the original. If you have a picture that needs cleaning or restoring they have experts who will take it on.

●

Stewart Heslop, 98 Waterford Road, London SW6 (Tel 0-736 3501).

Fans of his work say that once you have had a picture framed by him, you will never go to anyone else. He is a real craftsman, working alone, who decides on the moulding, the inset, the colours and the colour effects that will most enhance the picture.

He tends to use a combination of colouring techniques and water gilding with a gold finish which is very labour-intensive. There are many different treatments so that each frame seems almost an individual work of art. He is, so to speak, the bespoke end of the framing world.

Those who use him say he seems to have an almost perfect eye for colour and for the right size of moulding — he really does, say his customers, know best. So, trust him and don't mind the three to four weeks he takes—it will be worth it in the end. He works for galleries, decorators, artists and the man in the street. Framing starts at £50 and can go on up to as much as £500.

●

Stewart Miller, 3 Wilkinson Street, London SW8 (Tel. 01-582 0556).

Another craftsman working on his own who uses a combination of marbling, staining, stresses and other textures to provide a suitably rich and interesting frame for each picture. He likes to design and paint the frames himself (although he has a top gilder, David Hagi, who does the regilding work), and he will deal with pictures ranging in size from miniatures to near-murals. He will, if necessary, work on site.

He is a useful name to remember for any repair work—he is skilled at mending highly decorative frames and also has an expert on paper restoration in his team who can deal with damaged, torn or damp prints. His prices seem exceedingly reasonable and he will collect and deliver anywhere in the Home Counties.

●

The Railings Gallery, 5 New Cavendish Street, London W1.

A good gallery for those interested in fine contemporary work. Eric and Geihle Sander, who run it, are charming and take a great deal of trouble over every customer. They see an increasing trend towards double and triple mounts and the use of several colours. They are happy to go to the home (in the London area) to advise on what frame would look well in a given environment.

They have a good team of restorers on call and mending a frame is often much easier than it looks. They also have specialists working for them who will repair and restore damaged paper—it is quite amazing what can be done with modern techniques. Recently, a Picasso cut by a razor was mended—the fibres were swelled up with water and then interwoven together.

Today, even water-colours can be washed without the colours being damaged, while very stained and marked papers can be restored to look like new. The Sanders recommend and supply conservation board for framing valuable works—this is an acid-free board (much used by museums) which never changes colour and never marks the paper.

Birthe Alton with a frame ready for her gesso work

Birthe Alton. The Alton Gallery, 72 Church Road, London SW13 (tel: 01-748 0606).

Birthe Alton runs one of the most charming small galleries I know. She specialises in modern British art (oils, drawings, water-colours or gouache) from about 1880 to the present day. However, when she isn't out on a buying trip or running the gallery she is busy hand-painting the most remarkable frames.

She started doing this because she could not bear to see so many lovely pictures ruined or rendered insignificant by bad framing. She taught herself, slowly and painfully, the very skilled art of gesso work and today is one of the few people to offer it to the public.

Gesso, for those who aren't au fait with the term, is one of the oldest substances in the world—a combination of rabbit-skin glue and whiting. Most Florentine artists of the 14th and 15th centuries did their tempura paintings on a gesso background; all frescoes were done on gesso.

It is a labour-intensive technique involving the careful application of several layers of the substance until the required thickness is achieved. Each layer is applied hot, then has to cool and be rubbed down before the next is applied. It provides a marvellous foundation to paint, giving a luminosity that no other background seems able to offer.

When the gesso coatings have been laid down Birthe Alton hand-paints the frame, choosing colours that work with and complement the picture's style and colouring. Once again, many layers are involved—often colours are picked up from the picture and usually gold is added—before she rubs them down until they amalgamate and blend.

Finally, she polishes the whole with an agate (nothing but an agate will do) which gives it a marvellous translucent sheen. The results are rich, subtle and infinitely varied.

Given the labour involved, Birthe Alton's prices strike me as exceedingly reasonable—the lowest price for a small frame is £35 and the top price is around £130.

Birthe Alton recommends the gesso technique not just for oils but also for watercolours and drawings which, she thinks, are often rendered almost inconspicuous by traditional framing. "There is no reason," she says, "why water-colour or drawing should not be presented as strikingly as an oil-painting."

Having seen many of her frames, I can vouch for the fact that she has exceptional taste and a remarkable ability to provide a rich focus for the picture that enhances without overwhelming. Anybody buying a picture from her gallery has access to the Birthe Alton skills, but she also will undertake any other framing—about three weeks is the usual waiting time.

Edmund Penning-Rowsell assesses a nation hit by scandal

Austria after the freeze

WINE SCANDALS make good copy and none more than the Austrian diethylene-glycol one that hit the world's headlines in April 1985. As this chemical is an ingredient of "anti-freeze" the matter was brought home to every wine-drinking car owner: although in fact diethylene-glycol is far too expensive a product to pour into the radiator and is more usually employed in the plastic packaging industry. Its addition to wine was so unknown that when in December 1984 the Austrian Ministry of Agriculture received a bottle with an anonymous note stating "this wine contains diethylene-glycol," there were no techniques sufficiently refined for analysing the chemical. Three months passed before German chemists came up with the answer.

The scandal seemed to blow up out of all proportion. Contaminated wine arose only in small parts of Burgenland, which anyhow accounts for about a third of the total Austrian vineyard area. Some people were alleged to have been made ill by infected wine, but this was never proved. In comparison with the methanol scandal in Italy, when nearly 30 people died and over 100 were permanently disabled, no one died. Far more widespread frauds in Germany have been treated much more lightly, although its trade, particularly for exports, has suffered.

In Austria, however, the outcome of the diethylene-glycol scare has been disastrous. Austria is an historic wine-producing country, but not a large one: it is 10th on the European list, with an average output of 3.2m hl—much less even than Greece or its former partner, Hungary. Until the 1970s very little was exported, and what was went mostly to Germany—where some wine brokers and merchants certainly were involved in the scandal.

But in the 1960s the Austrians made the same mistake as the sherry producers in Spain and the brandy distillers in Cognac. They planted masses of new vineyards in the expectation of greatly increased export demand. A total of 45,000 hectares in the mid-1960s had become 59,000 hectares by the end of the 1970s, most of it in Burgenland where the area under vines rose from 12,000 hectares to 20,000 hectares.

No wine-growing country can expect its domestic consumption to increase along with a higher planted acreage. In any case the Austrian taste is very much for dry, quaffing wine, most of which is drunk within a year of production, very often in the *heurige* (heuer=this year) bars and restaurants. Twenty years ago 90 per cent of Austrian wines were sold in 2-litre bottles, and about 70 per cent of them still are.

So Austria's increased production led to the need for greatly increased exports. Germany, the key importer, was particularly interested in the sweet wines of Burgenland, for which there was little domestic demand. In Burgenland, humidity created by the very shallow and extensive Neusiedlerse results in a greater output of wine affected by *botrytis* (noble rot) — which is appreciated in Germany. But the increased production of 5m hl in 1982 (against the average of 3.2m hl) caused prices to fall steeply—the average price of Austrian wine fell from 36 schillings (£1.32 a litre) to 12 schillings (44p). Indeed in Burgenland I was told that some bottles were down to 3 schillings (11p).

To sell their wine surplus some Burgenland growers, probably not for the first time, resorted to diethylene-glycol to make their wines sweeter and denser.

The official reaction was swift, even a little hysterical, with 15 to 20 people, most of them merchants who had probably instigated the fraudulent addition, going to prison for up to 10 years. Yet this could not stop an immediate effect throughout the world, which led to all Austrian wines being removed from the shelves. For a time, within Austria, merchants' wines were widely boycotted, to the benefit of those growers and co-operatives who *sold* direct. But that did not prevent the per capita consumption falling from a peak of 37 litres in 1981-82 to 32.8 in 1985-86.

Wine

Worse was to befall the exporters. Austrian wine exports were chopped from 478,000 hl in 1984 to 269,000 hl in 1985 and 42,000 hl last year. And the excellent house of Lenz-Moser, situated near the Wachau in Lower Austria, went bankrupt.

The panicky government rushed through a new wine law that was first published on June 29, 1985, appeared in parliament on August 29 and became law on November 1. It was so strict that it appeared to make every wine grower — and there are 42,000 in Austria, of whom more than 8,000 are professionals—a potential criminal. The bureaucracy established such a grip on export permits — which were both time-consuming and immoderately expensive — that it was surprising that merchants or growers had the stamina to stand the strain and delays.

My previous wine visit to Austria was as long ago as 1980. Then I had found many distinctive wines of quality. Yet since the news of the diethylene-glycol scandal broke in 1985 the wine industry, to my mind, has had a raw deal. So recently I again made a tour of the leading wine districts, and spent three days in Burgenland.

Austria's wine industry has not been helped by two very small vintages in 1985 and 1986, though excellent wines were produced then. Excessively hard frosts (down to −32 deg C in some parts, that is −25 deg F) last winter may mean a tiny one this year, too. A large vintage is not needed, as this might lead to renewed price-cutting. But at least double the 1,126 M.hl obtained in 1985 would be welcomed, to re-establish the country's good name for wine.

Austria is mainly a white-wine-producing country, and most wine is really dry; no more than 4 grammes of sugar for the *trocken* and 9 grammes for the *halb-trocken*. As the schilling is closely linked with the deutschmark, the wines cannot be markedly cheap here, but they have a quality, style and charm of their own which should restore their reputation and earn them a place on the sophisticated tables of the wine world, including our own.

Mexican peasant and seat of government: both are committed to survival

MEXICO: INSIDE THE VOLCANO
by Alan Riding. I. B. Tauris. £19.50, 416 pages

Time of trials

Robert Graham on Mexico's role in the world

IS THE story of modern Mexico, a country trying to raise itself above the level of Third World development or, more accurately, involved in a struggle to retain its nationhood and sense of identity against the encroachments of its powerful northern neighbour, the US?

Mexico is in a unique situation, possessing one border with the most powerful industrialised country (who in the 19th century acquired by a humiliating treaty half the nation's territory) while in the South it borders on impoverished Guatemala, effectively the Fourth World. One is tempted to conclude, reading Alan Riding's highly informative analysis, that Mexico is more concerned to be treated as an equal by the US and hold together such a vast and diverse nation.

Mexico's identity is extraordinarily complex, evolved from ever-present pre-Colombian roots and the Spanish conquest that has produced the most "mestizo" nation in Latin America—over 90 per cent are of mixed race. Just one symptom of the agonised Mexican psyche is the way official history almost bypasses the lengthy period of Spanish rule and creates a direct link with the pre-Colombian era and Mexican independence, then makes the jump to the 1911 Revolution.

But it is not just these elements which make Mexico so different from its neighbours. Mexico has developed the most durable political system in Latin America in the form of an institutionalised ruling party, the PRI; and not since 1920 has there been a military coup.

Despite the interest and international importance of Mexico, it has gone surprisingly unstudied. The impetus of such interest should logically come from the US; but as Riding points out the two countries exist in a state of mutual comprehension. Also Mexican nationalism, which led to the first ever oil nationalisation in 1938, banished the era when the writ of foreign concerns like Weetman Pearson's Eagle Petroleum ran large and encouraged Mexico to turn in on itself.

Having been a correspondent first for the Financial Times and then for the New York Times over more than a decade, Riding knows his subject better than anyone and he has provided an elegantly written and invaluable textbook for understanding Mexico. The portrait is not always flattering but it is affectionately honest and balanced.

The best part of the book is his analysis of the complex Mexican power-structure. The pyramidal system with, at its apex, a President who rules for six years, has survived in part because the PRI has developed a formidable institutional presence at all levels in society, successfully establishing itself as the fount of all patronage, co-opting supporters and dissidents with what Riding terms the "cement" of corruption.

Unlike other Latin American countries, modern Mexico has not been destabilised by the Church and the Army—two institutions which elsewhere have been alternate centres of power. In Mexico, the Church was disestablished in the 19th century; while the post-revolutionary armed forces never developed an aristocratic officer class, instead were content to play a back-stage role on the basis of substantial material rewards.

Finally, organised labour has chosen to work within the system, controlled for more than four decades by the same man, "Don" Fidel Velasquez—now 87 years old and still a king-maker. But in the end the real secret of the system's durability has been to ensure that all the various interest groups in society have only one commitment—the system's survival.

Since the collapse of oil prices against the background of the previous Lopez Portillo regime's profligacy, and the burden of a huge foreign debt, the system is creaking. It seems to have lost its flexibility with the new US-educated technocratic élite insensitive to the old ways of patronage and manipulation. The de la Madrid leadership knows the political system has to adapt but seems unwilling to risk greater democratisation: the survival instinct encourages greater authoritarianism.

Riding charts the dangers ahead—an economic development model that has exacerbated the gap between rich and poor, population over 100m by the year 2000 AD with a quarter in the capital and federal district, an over-centralised government in a country with great regional differences and imbalances, a political class losing touch with the grass-roots. This crudely put is the smouldering volcano around which all sorts or alarmist scenarios can be built.

But there are balancing factors for which he gives insufficient credit. The country has adapted to the loss of oil-revenues and the burden of the debt crisis in a more orderly fashion than any other debtor and the Presidency still retains enormous authority, sufficient for a glasnost Mexican style.

Douglas Jay discusses another attempt to unravel the Munich era

Dictatorial era

THE GHOSTS OF PEACE
by Richard Lamb - Michael Russell. £14.95, 353 pages

RICHARD LAMB has here written a detailed, often fascinating, diplomatic history, of the Hitler years both before and after the outbreak of the 1939 war, and of the procession of intermediaries, German and neutral, who approached Whitehall in these years. His story is reinforced by a formidable array of documents, including British official records now available, memoirs, letters, biographies and direct information from those still surviving.

He is, however, not just recording, but also forcefully arguing four main theses: first that Britain should have swallowed the Hoare-Laval plan in 1935 so as to keep Mussolini in the Stresa anti-Hitler front; secondly that but for the appeasement efforts of Chamberlain and Halifax in 1938, Hitler could have been removed then and the war prevented; thirdly that the Morgenthau plan and "unconditional surrender" in 1944-45 were propaganda disasters; and finally that the war might have ended after the July 1944 plot *to kill Hitler* if the Allies had given enough support to the conspirators. Underlying these arguments is Mr Lamb's firm belief that a strong, organised anti-Nazi group existed in Germany through most of the period, and that the Foreign Office was grievously wrong to ignore them.

On Mussolini's Abyssinia war in 1935, I do not think Mr Lamb makes out his case, for two reasons. Certainly Baldwin and Eden, who had virtually approved the plan, let down Hoare shabbily in publicly disowning it. But to have approved it would have been politically impossible, and would have shattered the moral case for collective resistance to Hitler under the League of Nations. You can as well argue, though you equally cannot prove, that effective sanctions on Abysinnia would have more probably deterred Hitler. Secondly, the later experience of the war suggests a strong doubt whether Mussolini's army or navy would have made much difference to the military issue.

The story of Munich looks bleaker and blacker with every extra piece of information that emerges. The evidence marshalled by Mr Lamb convincingly supports his conclusion that if Britain, France and the Soviet Government (who he believes would have done so) had jointly threatened military resistance then, Hitler would have been disowned by the German Army. But Chamberlain and Halifax, Mr Lamb shows, pushed appeasement to extraordinary lengths in 1938 and thereafter.

In September 1938 the Cabinet was not even allowed to discuss Litvinov's proposal *for joint action by Britain*, France and the Soviet. Chamberlain after Munich said that "Hitler would not deliberately deceive a man with whom he had been in negotiation." In the winter of 1938-39, so far from using time for rearming, he postponed increasing the defence programme till March 1939, and announced a new "golden age of peace and prosperity."

Efforts to bargain with Hitler continued not merely after September 3 1939, but even into 1940. On May 24 1940, Halifax, still Foreign Secretary, was virtually offering "Gibraltar, Malta and Suez" to Italy if Mussolini would arrange terms with Hitler. On May 28, with the British Army in full retreat to Dunkirk, Halifax proposed in the War Cabinet of five that he should negotiate peace terms through Mussolini. Chamberlain supported him. Churchill as Prime Minister refused. Attlee and Greenwood supported Churchill. And so, by 3 votes to 2, the war went on.

Thirdly Mr Lamb makes a powerful and convincing case for believing that after the Battle of Normandy in 1944, Goebbels was enabled to exploit the absurd Morgenthau plan for "pastorising" Germany, together with indiscriminate bombing and "unconditional surrender," so to raise German public and Army morale to a last supreme effort of resistance. It seems to have been a near propaganda miracle, and led Eisenhower to protest to the British Government that Allied propaganda was restoring the morale of the Germany Army.

But Mr Lamb's further belief that greater "help" from the British for the group would have ended the war in 1944 is weakened by two facts. First the *failure of the 1944 plot* was *due, not to the lack of help* from the Foreign Office, but to the failure of the bomb under the table to kill Hitler. Secondly any "help" which took the form of discussing terms with any German group might have enraged Stalin and split the Alliance at a catastrophic moment. Mr Lamb's case here remains not proven. And the absence for 40 years after 1945 of any revival in Germany of the old militarism, based on a "stab-in-the-back" theory, lends further support to those who believe that the total defeat of the Germany Army in 1945 was basically the right policy.

Fiction

The party's over

THE DARKER PROOF
by Adam Mars-Jones and Edmund White. Faber, £3.95, 250 pp.

PARTINGS by Leonid Borodin, translated by David Floyd. Collins Harvill. £10.95, 223 pp.

THE RAPE OF THE ROSE
by Glyn Hughes. Chatto & Windus, £11.95, 372 pp.

FIRST LADY by Erin Pizzey. Collins, £10.95, 496 pp.

NO FUN being the official "buddy" to a succession of AIDS victims. Someone to hug, a shoulder to cry on—though *not literally, of course*, because you can never be sure with tears these days, or any body fluids for that matter. In two of the six short stories of The Darker Proof, a cut finger becomes not just a minor domestic accident, but an instant shortcut to death. Particularly if the victim happens to be your butcher.

Four of the stories are by Adam Mars-Jones, who has worked as an AIDS buddy and is clearly drawing on his own experience to paint a very moving picture of life at the end of the line: emaciated young men writing cheques all in figures to conserve energy, eating skinless sausages for the same reason, puffing out their cheeks for a photograph home so that their family will think nothing is wrong. Young men ostentatiously touching each other to show that they are not afraid; visiting their friends in hospital through a wall of jeering children who have identified them for what they are; keeping their own distance from the doctor because if they've got it they don't want to know. Young men not brushing their teeth before an intimate kiss, because their gums might bleed . . . .

It's a sad picture, nicely complemented by Edmund White's stories, both of which deal with Americans cruising in Europe in the hope that the party this side of the water might somehow still continue. The party does indeed go on, but the slim blond German comes to bed in shorts and dashes off immediately after sex to disinfect himself all over. *Vir kommen nie wieder* . . . This is a good collection, by and large, and a considerable eye-opener to anyone not familiar with the gay scene. Edmund White, in particular, leaves little to the imagination as to what actually does go on in public lavatories. There is a sameness about the stories as a whole which is probably inevitable in view of the subject matter, but they will evoke sympathy and understanding in all but the most hardened reader.

Leonid Borodin's Partings is by an "unofficial" Russian writer and was sumggled to the West five years ago, shortly before his arrest on an unrelated charge of spreading anti-Soviet propaganda. Quite why it had to be smuggled is something of a mystery, because it does not come across as excesively anti-Soviet, particularly not in the age of *glasnot*. Critical, yes, but no more. There's a suspicion here that the publisher is drumming up trade for a novel which, though perfectly acceptable, is no masterpiece.

Erin Pizzey

Gennadi, the main character, is one of nature's outsiders (though, like the author, not a dissident). He is a museum researcher torn between the village priest's daughter he seduced in Siberia and the smart Muscovite he has long been expected to marry. To raise some ready cash, he ghosts the memoirs of a war hero, who is appalled to discover that Gennadi will earn more for the book than the hero ever did in the service of his country. Various of Gennadi's friends flit in and out, disreputable characters mostly, cynically manipulating the system to their own advantage. It's good, knockabout stuff, but more about human beings in general than the Soviet regime in particular.

The Rape of the Rose, by Glyn Hughes, is the second of a planned three-volume saga about the horrors of the Yorkshire mills at the time of King Ludd and the Napoleonic wars. Mor Greave, schoolmaster-cum-weaver, is with the Luddites, heavily involved in attacks on property, forced to flee for his life across a countryside manned by three times as many troops as the Duke of Wellington employs in the Peninsula. The rape meanwhile is being carried out by the millowners—literally, in the case of one unpleasant fellow with a taste for working - class children. Arthur Scargill will love every word of this book. It is meticulously researched and full of period detail. But though its heart is in the right place, it is also dour, humourless and plodding, more of a polemical tract than an entertainment.

Somebody ought to break it to Erin Pizzey, whose new novel First Lady touches lightly on the subject of big game hunting, that there are no tigers in Africa. Different continent entirely. Nor, unless the splendours of the African bush are more intoxicating than usual, will you ever come across a big black puma at Treetops—particularly since the place hadn't been invented at the time of which La Pizzey writes so lushly.

Nit-picking aside though, the book is a mild improvement on her previous stuff. The sex is less offensive—though there are plenty of lesbians with diamonds studded in peculiar places—and the plotting more coherent. First lady of the title is the female governor of New Mexico, who has reached her present eminence only four generations away from the Russian ghetto. One day somebody will write an American family saga in which the immigrants find it easy from the word go, do not have to struggle at all, but end up poor anyway. Meantime, First Lady is no worse than other novels of its kind.

Nicholas Best

Bordeaux brouhaha

LE SEMINAIRE DE BORDEAUX
by Jean Dutourd. Flammarion. FFr 85. 318 pages.

SINCE HIS election to the Académie Francaise in 1978, Jean Dutourd has remained one of its liveliest spirits, sniping with tireless gusto against the fantasies and fatuities of contemporary society, especially on the French Left, in a series of novels, essays and regular newspaper articles.

In his latest pasquinade, Le Séminaire de Bordeaux, he has concentrated his fire on one *of the sacred cows of the* Fifth Republic, the C.N.R.S. (the Centre National de Recherche Scientifique), and on a group of young sociologists who labour earnestly on monographs with titles like The Sexual Life of Artisans in the Feather Trade at Grand Caillou in the 18th century, or Dechristianisation in the region of Poitou-Charente between 1936 and 1965.

Promiscuity being the norm among this happy band of research workers, there is a frequent exchanging of partners. Jean-Claude Simonot sleeps with Adeline Jolivet, but marries Brigitte. Adeline falls for an ardent Zionist, Laurent Schwob, but ditches her for the cold and heartless Rita Cerf, and is in turn ditched by her.

As a background chorus to these frolics, there are Laurent's parents, M and Mme Schwob, intransigent Gaullists whose lives revolve around the General's memory, there is Marcel, the venal proprietor of a Latin Quarter establishment called "The Ideal Good Snack Fast," and a trendy priest who lards his sermons with clichés about the class struggle.

This brief outline might suggest merely a farce with cardboard cut-out figures, but there is much more to it than that. For all their absurdities Jean Dutourd feels compassion for his characters and endows them with qualities they themselves hardly know they possess. As a novelist he is keenly aware of the mutability of human passions, and illuminates these shifts and changes of the heart with a clever interplay of aphorism and paradox which places him firmly in a specific French tradition that includes Benjamin Constant and Marivaux, Flaubert and Proust.

He also has an acute ear for jargon and slang and the general mutilation of spoken French, of which Adeline Jolivet is a prominent exponent, since she peppers her speech with words like "cool" and "relax," invents neologisms like "contagiosité" and "infectivité," and talks of being "interpellée quelque part" when something has moved her. She could, in short, like her soixante-huitard companions, the other ex-students of May '68, be merely a figure of fun yet she ends as a figure of genuine pathos.

This transition is a measure of Jean Dutourd's skill, which is equally in evidence when one of his other characters, Brigitte, undergoes a religious conversion and he manages to make it both natural and believable. It is not often that one comes across a novel that is both so funny and so touching in such finely balanced proportions.

Erik de Mauny

CONSUMING FICTION
by Terry Lovell. Verso £22.95 (£7.95, paperback) 188 pages

Far shores of realism

CONSUMING FICTION might be described, very loosely, as an historical study of the novel in England. Terry Lovell is, however, more concerned with raising interesting questions and challenging assumptions than with providing a systematic analysis of her subject-matter, or charting a continuous pattern of development.

Her accounts of a number of different periods in English cultural history are connected not so much by any consistency of approach but, rather, by the intermittent resurgence of a few central aims and preoccupations. One of these aims is that of re-examining traditional Marxist interpretations of the novel, in an attempt to place "the question of sex and gender . . . at the centre of analysis alongside that of class."

Lovell begins by criticising Ian Watt's definition of the novel as an essentially "realist" form. While accepting Watt's view that one of the main determinants of the early novel was "the sensibility of the new class of capitalism, the bourgeoisie," he argues that the tastes of the eighteenth-century middle classes were gratified not only by realist fiction but also by more "fantastic" genres such as the Gothic romance. (The division between realism and fantasy is linked, in this book, to the contradiction between the spirit of sober "bourgeois respectability" fostered by the demands of capitalist production and the spirit of excessiveness encouraged by the mechanisms of capital consumption.)

Gothic romances were, of course, mainly written by women, and are usually regarded as works directed primarily towards a female readership.

Various attempts have been made, in recent years, to counter the virtual exclusion of these novels from "serious" literary history by constructing an "alternative pantheon" of non-realist fiction, based on the claim that the literature of terror and fantasy displays an exciting potential for subversion. Consuming Fiction provides an admirably level-headed account of the difficulties involved in establishing such a claim.

As Lovell moves on to the nineteenth century, she considers, among other questions, the positions which it was possible for women's fiction to adopt in relation to "the male régime." Provocatively, she focuses on the writings of Elizabeth Gaskell, the female novelist who "seems . . . to have appeared most comfortable within the confined space of a conventional middle-class femininity."

Even more provocatively, Consuming Fiction emphasises that Victorian middle-class women in general did not necessarily experience the system which consigned them to a life of domesticity as an unequivocally oppressive one. In an earlier chapter, Lovell has already criticised the tendency to assume that "behind every submissive, feminine woman is an angry, raging feminist struggling to come out." She observes that "the truth may be rather that of a systematic ambiguity, more or less deeply felt by all women engaged in the business of constructing a sense of self and social identity."

One of the main limitations of this book is its reluctance to embark on an analysis of the forms of language through which particular kinds of female authorial voice are constructed, and particular views of the world are put forward. This disadvantage becomes especially evident when Lovell considers novels of the later 19th-century, explicitly concerned with the "new woman" question; her commentary, in these later chapters, often becomes unnecessarily entangled in cumbersome plot-summaries.

Some readers of Consuming Fiction will at once discern a stony philistinism in the use of words such as "ongoing" and "foregrounded," while others may view the way in which the book darts from one theme to another as irritatingly whimsical. Lovell's style of cultural commentary is sufficiently lively, thoughtful and accessible, however, to disarm completely a large number of potential critics and cavillers.

Chloe Chard

Endgames and explanations

VLADIMIR'S CARROT: MODERN DRAMA AND THE MODERN IMAGINATION
by John Peter. André Deutsch. £17.95, 372 pages

VLADIMIR'S CARROT attempts to explicate modernity; what's new about our century's art? How is the contemporary imagination constituted? In answer John Peter, drama critic, implicitly ascribes to the *paranoid* cult of tragedy inagurated by George Steiner. Bleak, amoral, obscure, self-consciously difficult, the drama, novels, poems and pictures embody a solipsism, a fundamentally cold aloofness, peculiar to a century of systematic genocide, world wars, political tyranny and wickedness. The ovens of Auschwiz, the tanks in Prague, the hand of Stalin, the mind of Hitler: with these facts the arts have had to cope; those facts the arts almost seemed to prophesy.

The heart of darkness is the modern mind. Peter traces a powerful pedigree for it. The "undernourished hopes" of the langishing nobility in Chekhov, for example, presage the monotony of the languishing tramps in Samuel Beckett (and in Matisse's pictures we may notice "the atmosphere of a Chekhov play"); the neurasthenics in Strindberg appear to be coping with a post-apocalypse environment; Mrs Alving, in Ibsen's Ghosts, the unwitting carrier of syphilis, the wronged wife and abused mother, is a symbol of the indiscriminate horror done to innocents.

Peter is particularly fond of Schopenhauer, whose doctrine of "the inner content, the essence of the world" (or what Californians might call "really real realities") he assiduously locates. Schopenhauer is, for Peter, a modern Aeschylus (as, for Steiner, Sophocles was an ancestor of Nietzsche), representing man's quest for morality in an indifferent universe. Kafka, for instance, "knew his Schopenhauer." Wagner flings his characters "into that Schopenhauerian world [of] the unknowable and relentless . . ." And "It does not seem fanciful to say that Cubist painting was one great Schopenhauerian act . . ." Villiers de L'Isle Adam writes "in language worthy of Schopenhauer." By which is all meant, artists have recognised the crazy order of disorder; they anticipate the random rolls of the dice; they squiggle like flies tortured by wanton gods; they know the games of harmony are up; things fall apart.

Thus, Peter reads modern art as morality in hopeless search of itself; ethics unbound. In Wagner, "music acts . . . as a moral force," the morality traduced by the broils of action and plot; we're told where to locate "the core of moral weakness in the Ring." Landscape painting "has a moral aspect;" and Picasso and Braque's work was "a moral activity." And so, for nearly 400 pages, on.

Peter's appreciation of modern art is consistent, sombre, sobering, serious—and I disagree with absolutely every word. Though not fond of reading creative works as illustrations of philosophic tracts; nor seduced by a conclusion which states that art intensifies "the experience of being alone;" nor cheered by the confession "Vladimir's carrot . . . symbolises nothing"—despite these reservations, my quarrel with the author is much more basic. I value comedy much higher than tragedy. I have never been seduced by Steiner's pontifications and synoptic critiques. Comedy, as somebody said, is the blossom on the end of the nettle. Peter, like Steiner, refuses to let go of the nettle.

No book yet interprets modernity through laughter—as though laughter is for some reason evasive and facetious. The guru of comedy, when he emerges, might like to consider this: that James Joyce's Ulysses is the funniest book in the language—Joyce recognising, like Offenbach, that Homer was the comedian of cuckoldry; Ezra Pound's work is packed with side-of-the-mouth Wild West wisecracks; Beckett's work is a homage to Laurel and Hardy and the silent cinema.

Then there is Oscar Wilde, whom the late Richard Ellmann in a forthcoming biography makes into *the* existential hero. Aldous Huxley wrote convincingly against tragedy; Iris Murdoch's essay The Sovereignty of Good explains her own novels in terms of happiness. Kingsley Amis's observations are so cruel, so funny, so right. Anthony Burgess, like Chesterton a catholic filibuster, is an exponent of verbal horse play; Seamus Heaney is the warmest-hearted poet since Blake (with all that implies).

And, looking to the continent, Wagner's Ring is sublime end-of-the-world farce; Chekhov is a pre-incarnation of Michael Frayn, Kafka of Alan Bennett. Picasso, quite simply, gave the modern world new eyes—joyous ones, despite Peter's attempt to render his vision crepusculate. Even Guernica is joyous, in that the dismemberment is surmounted by the fire and light of the sun.

Roger Lewis

Anthony Curtis visits the Avignon Festival

Pinter plays à la française

THE AVIGNON Festival continues every night with different shows until August 6. It has always looked to abroad for inspiration as much as to France and this year is no exception. The Festival is lavishly honouring two living Frenchmen, playright Robert Pinget (several of whose works have been heard on Radio 3) and the composer Olivier Messiaen. It is also casting its net widely enough to include performances of French versions of O'Neill's *A Moon for the Misbegotten,* two plays by Kleist, and Pinter's *Other Places,* called here *Autres Horizons.*

The cloisters of the lovely Carmelite Church in Avignon is not perhaps the most natural setting for three one-act plays of Pinter's, two of which take place entirely indoors. Nonetheless this staging by actors of the Comédie Française, directed by Bernard Murat from translations by Eric Kahane, proved to be of considerable importance and will add to Pinter's reputation in France. The situations of extreme stress which Pinter evokes remain valid whatever the venue.

When I heard the burst of sacred music with which the performrance began I thought they were going to overdo it. But luckily, no. Once that was over, all was well. The heightened attentiveness, on which this playwright insists, rapidly succeeded as *A Kind of Alaska* got under way. Hornby (Alain Mottet) slowly pulled aside the white curtain masking the sick bed where his long-time patient Deborah (Claude Winter), herself shrouded in white, painfully returns to consciousness after 29 years asleep. What a female role it is—brief, but brimming with opportunities for great acting! She has now to adapt to maturity without the consoling aid of time, modulating her reactions between the child-self and the present self. As I watched the arousal of this Sleeping Beauty, who is clearly going to have to live very unhappily ever after, I found myself most ungenerously wondering how someone like Edwige Feuillère would in her prime have played the part.

Claude Winters's talents are not quite of this order but she reacted with appropriately blinking amazement, hiding behind a thick strand of hair, as the full enormity of her predicament began to dawn on her. The little girl voice to which she continually reverted was that of a squawky salacious gamine by contrast to the slow throaty utterance of the bewildered woman. Her reunion with her sister Pauline was the supreme moment; it came just after her stumbling attempt to walk and then to dance. Suddenly a hand appeared to help her from the arch of the cloister and then the full form of her sister. Martine Chevaller played her with precision, alternating flashes of fear and joy. Both this character and that of Hornby with his rigorous formality, seemed to translate naturally into the French idiom.

Victoria Station, a revue-style sketch about a lost radio cab, remains obstinately English and they did not quite know how to handle it. Every effort was made including the appearance on stage of one London taxi fully equipped, unfortunately, with yellow headlights. The Controller (Michel Aumont) got into one of those glorious rages, straight out of Molière with his wayward driver (François Barbin) and kept it up throughout, treating the lines as one long tirade. But if his Cockney counterpart would have ordered it rather differently, the piece still provided an amusing *entre'acte* for the final act, *One for the Road.*

Here the audience seemed instantly acclimatised. Avignon is not very far away from Lyons. A play about torture is not without precedent on the French stage. One by Sartre just after the war explored the subject just as agonisingly as Pinter. Both have an unforgettable impact. As soon as the victim, movingly played by François Beaulieu, landed groaning on the floor of the room with its drinks table and gilded crimson plush settee, one felt one was in the sub-world of central Europe or Latin America. The torture was embodied by Jean Le Poulin, the Comédie's artistic director, as a stout military sop in full evening dress almost out of grand opera and this perhaps mitigated some of the horror. But the play, ending with the disappearance of the little boy (Jeremy Zapata), is well nigh unbearable to watch nonetheless. All three works were well received by a capacity attendance and at the end Harold Pinter ascended the stage where he was applauded warmly by both cast and audience.

★

Theatrical events in Avignon, which include a huge Fringe known as "Le-Off" have been closely integrated this year with those in nearby Volleneuve. This charming Provençal town, linked historically with the papacy, has some magnificent ancient buildings such as the Chartreuse where performances and recitals are held. Held here, for instance, was *Oedipus at Colonnus,* Chekhov's *Platinov* and a riveting one-man show, *Le Discours aux Animaux* by the actor André Marcon from a text by Valère Novarina. He is a French playwright of the post-Pinter generation with the same concern for exactitude of language and eccentricity of outlook. His monologue, for a loner who identifies with animals in his view of the world, was given impassioned vitality by Marcon.

Japanese heikebiwa player Masatomi Doisaki and a group of musicians from Tibet

Captivated by ancient culture

Music of the Royal Courts has proved a fascinating series.

Andrew Clements reports

THE BEGUILING series of concerts promoted jointly by the South Bank Board and the BBC, many of them relayed by Radio Three, ends in the Elizabeth Hall tonight. "Music of the Royal Courts" has been an endlessly fascinating, enriching experience; it's difficult to remember a more bracing and provocative collection of London concerts in recent years. Audiences appear to have grown in size and enthusiasm as the series has progressed, precisely because "Music of the Royal Courts" has ranged so widely, and carefully avoided those areas of non-Western music usually heard in British concert halls, it has also avoided any hint of special pleading. Another series, as soon as possible, is essential.

That follow-up could profitably explore the regions left untouched this time. For this has very much been a voyage in 12 days around the Old World; nothing from the Americas or the Pacific was included. The emphasis was largely Asian; perhaps understandably, for in the old kingdoms of the Far East, from Burma and Sri Lanka to Laos and Thailand and up to Tibet, Chinese Central Asia and Japan, many centuries of royal patronage encouraged the development of highly sophisticated court musics and immensely skilled musicians.

In the Third World of the late 20th century, it is precisely such cultural elites that are vanishing fastest; for political and economic reasons predominantly, court music has become an endangered species. The traditions have usually been preserved orally: that is at once their strength as they gain richness and resonance with the passage of generations, and their fatal weakness as family links are broken down and eventually destroyed for ever. There is around this music an intense feeling of the pressure for survival: a more compelling reason for a festival than an effort to ensure the survival of entire musical cultures is hard to imagine.

To someone who only dips a toe into the vast waters of ethnomusicology with the greatest trepidation, the comparisons of these cultures, their similarities across thousands of miles and the collective mythology which often they seem to share and elaborate, has been perhaps the most intriguing of all the facets of "Music of the Royal Courts." How the tradition of epic singing, something which has vanished altogether from our Western European culture, remains an intrinsic feature of the art in countries as widely separated as Mali and Tibet; how the old silk route from the Middle East to China clearly traded in much more than silk, and how the music of the Chinese Xinjiang province, preserved from the 18th century bears the unmistakeable imprint of the Arab world; how the art of the Andalucian court, dispelled altogether from Iberia, has been nurtured in orocc

And coupled with the exotic colours, the glimpses of societies which if they have not already vanished, are effectively cut off from the eyes and ears of the Western travellers, there have been musical rewards which transcend niceties of grammar and syntax. In the music of the Chinese groups in particular was a sophisticated grasp of music theatre which we would regard as very modern but which has clearly been established in their cultures for centuries, a seamless scheme of dance, song and instrumental music of striking flexibility and directness, delivered with an exuberance that was totally captivating.

Levels of virtuosity were such that eventually one began to take exceptional instrumental feats for granted. One, though, stands out: a group of musicians from the Thai royal court included a xylophone player of quite astonishing brilliance and personality, presenting music whose essence seemed to be a rhythmic energy, a glittering mesh of precisely focused lines intricately cross-cut and interlaced. Many musicians danced as well as sang or played instruments, some did all three. As an exercise in dislodging the complacency of our own Western musical culture with its implied superiority to all others, "Music of the Royal Courts" would be hard to better.

Records

The dust blown from Beethoven

Beethoven Symphonies 2 and 8. London Classical Players/Norrington. EMI (LP) EL 27 0563 1, (cassette) 4, (CD) CDC 7 47698 2.

Beethoven Die Geschöpfe des Prometheus, op. 43. Orpheus CO. DG (LP) 419 608-1 (cassette) 4, (CD) 2.

Mozart Die Entführung aus dem Serail. Gruberova, Battle, Winbergh, Zednik, Talvela, Quadflieg/VPO/Solti. Decca 417 402 (2 LPs in box) —1, (CD) —2, (cassette) —4.

NORRINGTON'S Beethoven disc (with the London Classical Players) of the Second and Eighth symphonies is a delight and a revelation. Layers of reverent dust, loads of unnecessary string tone fall away. As the conductor rightly claims, the use of old instruments restores "the exhilaration and sheer disturbance" this music had when new. Clarity at fast but not gabbling speeds and a new relationship between wind and strings are immediately apparent. What the strings lose in steely thrust they gain in silvery shading and light-footedness. The Second (in merely average performances the least compelling of the nine) comes up fresh as a daisy.

The Eighth has never needed special pleading, but the compound of brusqueness, mellowness, wit and barely controlled explosiveness can seldom have been heard to such advantage. In both symphonies the range of subtle colour is extraordinary—Beethoven, one realises, used colour even as a medium for development. Norrington and his admirable players make one listen to the music as a new experience. More, please and soon.

Beethoven's mythological ballet *The creatures of Prometheus,* with choreography by Salvatore Viganò, was produced with success at the Vienna Burgtheater in 1801. The overture is familiar, some of the dances are occasionally played, but the complete work, although de Valois and Ashton have both staged it for our national ballet, rarely turns up. Since the music is full of lithe, striking inventions, this is a pity. The finale includes the "Prometheus" theme used by Beethoven, for whom it clearly had symbolical significance, in other works including the Eroica symphony.

No point, in the dances, in looking for symphonic development. In his book *Ballet music —an introduction,* the composer Humphrey Searle surmised that "Beethoven worked closely with Viganò and carried out his wishes in detail" as Chaikovsky, in years to come, did with Petipa. Constant Lambert, who conducted the de Valois version, remarked that to his surprise he found Beethoven's score much better suited to ballet than the dance music of Mozart. The conductorless, New York based Orpheus Chamber Orchestra play with praiseworthy unanimity, too streamline for my taste. All the same it is good to have the whole of this bracing music.

Solti's *Entführung* for Decca has the Vienna Philharmonic sizzling and a star cast. So much the better. This opera remains a general favourite in spite of problems of performance. Mozart was consciously writing a German singspiel as part of his Emperor's campaign for native opera. Since he had a bunch of exceptional singers handy he wrote expressly for them.

Mozart's later and greater operas (excluding *La clemenza*) have enough humanity for something positive to emerge from a second-rank performance. There is indeed humanity in *Die Entführung* but it surfaces late in the evening, by which time a number of horrendous vocal hurdles have had to be cleared by the principals. No amount of producers' interpretation stressing, say, cruelty or torture will help. The mood is sentimental romance, or fairy-tale without the supernatural. Osmin is a paper tiger bedecked with brilliant music, Belmonte a decent young man with a string of splendid arias. Pasha Selim is the embodiment of clemency, Konstanze, appropriately, the personification of constancy.

Konstanze goes, and how becomingly, through the motions and attitudes of separation, grief and brave defiance. There is a touch of period exaggeration — as it were, Mrs Siddons as the tragic muse. Her three arias are musical marvels, but only when she is reunited with Belmonte does she become fully credible. Then what Sitwell describes as "that strange and piercing convinction, that impassioned utterance" take over. Solti has an outstanding Konstanze in Edita Gruberova. With her breadth of style and phrasing and her full tone, she is a true dramatic coloratura. Since she has apparently given up the role in the theatre this testimony is doubly valuable.

Gösta Winbergh sings Belmonte without a sign of the customary strains. The voice has no great personality, but in a role ideally needing a Patzak or a Tauber, the Swedish tenor offers much to be thankful for. As Osmin the Turkish overseer Martti Talvela presides with enormous grumpiness. No clowning, but unfailing musicianship. The Pasha's lines are spoken with dignified restraint by the actor, Will Quadflieg. Kathleen Battle's Blonde (in difficulty her music is not far behind Konstanze's) is delicious. Pedrillo, too often undercast with cub tenors who can no more manage "Frisch zum Kampfe" than fly to the moon is admirably done by Hans Zednik, excelling alike in the aria referred to, in the quick-fire dialogue and in the miniature miracle of the serenade.

Ronald Crichton

Radio

Cool summer listening

LINGERING at the cool end of the spectrum, Radio One offers on Saturdays a six-part biography of the guitarist Eric Clapton, *Behind the Mask.* Some time is spent on the sounds that influenced him, but it was his own speaking voice that interested me most, coherent and intelligent beyond the standard of most musicians, or music, on this channel. His life—adoption, art school, rock, gigs, drugs—seems fairly typical of his generation; his talent is clearly his own.

Less cool, but pleasant enough, is the amiable Hank Wangford's *Looking for a Lonesome Yodel* (Radio 2, Wednesdays), presenting songs from sundry peoples who make that use of their falsettos. I was drawn to it for its curious relevance to Radio 3's current series, *Music in the Royal Courts,* which is the same sort of thing taken more earnestly. This gives groups like the Nobet at the Court of HRH the Sultan of Kedah rather than Kipsigis tribesmen singing "Hello, Jimmy Roger." You can appreciate the yodels at once, but some of the royal courts sound less amenable and should be criticised only by experts.

Then for something gladsome in the drama line. Not yet *Never Been Kissed in the Same Place Twice* on Sunday afternoon; that's a six-part serial. But there's *Anniversary Waltz* on Radio 4 on Wednesday afternoon and *The Last Tea Dance* on Radio 4 on Sunday.

Anniversary Waltz is set in Dublin at the time of the referendum on divorce. Marcus (T. P. McKenna) and Maeve (Stella McCusker) are celebrating their silver wedding, if celebrating is the word. Maeve keeps reading from a list of poisons that she carries around with her, and when Father Benedictus quotes "Whom God hath joined togther," she shouts "How do you know?" As she says to her liberal unmarried friend Imelda, Marcus is a complete Catholic Irish patriot, with "martyr" written all over him. She means to weaken him with dozes from the chemist's where she works until he is light enough to finish off. But Marcus's friend Danny points out that the Church will allow killing in self-defence, and if she is after him, he can put her out of the way. His idea is to electrocute her in her bath with a connection to the radio; but her idea by now is to drown him in his bath. There is a scuffle in the bathroom, they both fall in and die together. It's a comic enough tale, though I doubt if anyone but the Irish would have thought of it. Michael Judge is the author, Jeremy Howe of BBC Northern Ireland the director.

The Last Tea Dance, by Ronald Hayman (Radio 3, Sunday), was not as light-hearted as its title suggests. It is about a Jewish boy from a strict orthodox family who loses his faith. He leaves in the middle of a service at the Synagogue. He will not answer questions from the rabbi, or from his father. So deeply does his father feel, that when the boy refuses to pray with him, he dies of a heart attack. There is still another crisis to be faced—will he say Kaddish at his father's funeral? We are not told specifically if he does; but in a letter to his girl-friend, he writes: "Some shook hands with me and some only with my young brother."

This is technically an interesting play, the narrative constantly interrupted by brief parantheses illustrating a current point; and there is more action in it than I have recorded, apparently irrelevant but all concerned with the boy's difficulty. Piers Plowright directed an enormous cast, 21 voices, a cantor, a pianist, a band, for a 45-minute play. I admired it a lot and would have been glad to know a little more about Jewish religious ceremonies than I do.

B. A. Young

Chess No. 680

1 K-Q1(threat 2 Q-K2). If Q-Q4; 2 B-Q6, or if Q-B3; 2 B-K5, or if QxB; 2 P-K4, or if B-B7; 2 QxQ, or if PxB; 2 PxP.

Billy Joel at Wembley Arena

ANOTHER VISIT to Wembley has about the same appeal as the hundredth mission for a World War Two bomber pilot. Angry locals may soon curb the performances at the Stadium, although artists, too, must be worried about sacrificing their reputations in its arid wastes. It killed off David Bowie; gave Genesis a run for their money; and now awaits Madonna in August. If anyone can make it human she can.

The Stadium almost makes the adjacent Arena seem cosy. The smell is less fetid; the litter less overwhelming; the concrete marginally less oppressive. It also gives the artists a chance.

But you can't love them all and I'm afraid I gag a bit on Billy Joel. I'd feel happier about his performance if I knew what the point of him was. He seems somehow suspended between those superstars who service middle-America at Caesar's Palace, Vegas, and those other superstars who keep the students happy at campus stadia.

This identity crisis invades his act. At one moment he is lovingly bent over his upright — it's a grand, actually — caressing the keys as lovingly as Liberace and hammering out Gershwin; the next he has darted into the adoring crowd like Mick Jagger on speed. There is his "one of the lads" sequence as he limply leads his band into some sub-Beach Boys acappella, followed by a tribute

to Ray Charles, done in dubious taste, with dark glasses and the soul singer's voice.

He does not go in for much of a stage show, just a few tricks with the lights and the image of a no-nonsense artist, delivering it straight, has appeal. For "Goodnight Saigon" there is the roar of a 'copter drowning out the finale but, for the most, it is Joel leading from the piano, or, more effectively, centre stage and singing his curiously mannered compositions. They usually have a roaring riff that the audience can catch on to, and it comes as something of a shock to find you are singing along with this rather serious, uncool, little man.

The band is hardly there to challenge him, and although the keyboard player is irritatingly mobile as he bashes out a single note and the guitarist looks as if he has come from central casting, there is no doubting their pedestrian professionalism. It was a mite too crafted, and it took the encores of "Uptown Girl" and "Tell her about it," the big hits which force themselves unwillingly into the mind and body, to justify Billy Joel's reputation. The packed Arena loved him, swaying, and chorusing, and willing him along. Perhaps there is vulnerable charm in there somewhere but then I was sitting quite near the back.

Antony Thorncroft

WEEKEND FT

• SPORT •

Croquet/Nicky Smith

Sponsorship? Prizemoney? Nasty commercialism? Despite the fears of the fogeys, croquet is being modernised

The new guard attacks

THE BRITISH Open Croquet Championship taking place at Hurlingham this week (finals today) has been staged against a background of lively debate about the future of the game. Far from being a pastime of curates and crones, croquet is mostly played today by men under 40 whose growing interest in promoting the sport has caused ripples of anxiety among the old guard.

The official magazine of the Croquet Association bristles this month with articles and letters for and against the promotion of croquet—the key issue being professionalism in a sport still completely amateur.

Difficult questions such as the level of prizemoney (at present limited to £25) have the old fogeys of the croquet world up in arms. They are horrified at some of the Croquet Association's plans for expanding and encouraging sponsorship which, they fear, can only lead to the "nasty commercialism" that television has brought to other sports.

The younger set, led by Steven Mulliner, a merchant banker and chairman of the CA's finance and general purposes committee, argues that "croquet is growing at a steady, controlled pace," and that the sport's safeguard is that the nature of the game determines the type of person who is attracted to it.

Those attracted to the Open this year (48 in the singles, 22 pairs in the doubles), include schoolboys, top British seeds and, God forbid, a woman. Jan Macleod works as a textile technologist for Marks and Spencer. A former fencer, she enjoys the cool-headed skills of croquet.

She thinks that the remarkable absence of women at the top end of the game is simply because women in general play less sport than men, but she admits that the men are not always encouraging.

"They adopt a sort of elegant chauvinism," she says. "A lot of gentle abuse is given to women croquet players. One of them actually said to me once: 'Jan, you're not a woman, you're a croquet player'."

The male contingent includes Nigel Aspinall, probably Britain's top player, a consistent winner at the Open and also of the prestigious President's Cup; David Openshaw, Great Britain's captain, who led a team to victory against the US in Palm Beach earlier this year, and Robert Fulford, a 17-year-old from Colchester who intends to read maths at Durham University.

Fulford plays chess and snooker and epitomises the raw recruit—he was knocked out of the singles early this week because, he says, he "played like a wally."

Proper croquet is a highly skilled and tactical game. It involves setting up breaks (like snooker) and deep concentration and forethought (like chess). The shots are varied and precise, the hoops often smaller than regulation size. This year they used President's Cup hoops at the Open—⅛th of an inch wider than the ball.

The Croquet Association likes to promote the game as one that can be played on equal terms by all ages and both sexes. Jan Macleod disagrees. "On fast lawns, it's true that both sexes are even," she says, "but when the lawns are heavy after rain, it takes more stamina for an 8 st woman to put the ball across than it does for a 12 st man. It's a slight disadvantage, of course, but at competition level it counts."

This is the first year that Carlsberg has sponsored the Open at Hurlingham—another feather in the cap of Chris Hudson, the Croquet Association's development officer, and of the CA's secretary, Brian Macmillan.

Both would like to see more sponsorship, and in an effort to attract more interest from the public they launched a national garden croquet competition earlier this season. The hope was to encourage garden players to take the game more seriously and perhaps join one of the 140 or so official clubs throughout Britain.

Most newcomers to croquet are surprised to discover that it is, indeed, an international sport. Test matches are played every four years on a triangular basis between Britain, Australia and New Zealand, while the US is expected at Hurlingham next year and Japan, which also takes a lively interest in the game, in 1989. There are also plans for the foundation of a World Federation of Croquet.

Chris Hudson would dearly like to see the sport televised, though the game doesn't lend itself too readily to the small screen. It's difficult to pick up halfway through when nothing much may appear to be happening, and as croquet is very much a game of control it lacks the emotional flamboyance of a sport like tennis. However, croquet certainly has its share of characters.

Croquet's first Open Championship, according to the record books, took place in 1867. It was the beginning of croquet as a serious sport and was the brainchild of Walter Jones Whitmore, a first-rate eccentric.

Whitmore seems to have spent his life inventing things that never quite worked and writing appalling poetry, but he transformed croquet from an open-air pastime into an intellectual game.

In the process, he helped stage some spectacular events, culminating in a huge tournament at Aldershot in 1871 in which horse artillery and dragoon guards took part, the croquet lawns were marked with huge Union Jacks, and play took place to the strains of Offenbach.

By comparison, the old fogeys of today would seem to have little to fear from sponsorship *or* television.

Open Golf Championship, Muirfield/Ben Wright

Time for a genuine outsider

'I believe we are in for a surprise. It is my opinion that we are about to see the first real outsider to win at Muirfield since Alf Perry in 1935'

IT WAS always better in the old days! Having spent over a week since arriving in Scotland sifting through yards rather than feet of egregious claptrap supposedly drumming up reader interest in the 116th Open Championship, the memory banks were working overtime among we older fellows long before a shot was fired in earnest. (Ironically it was fired by an amateur unknown to me, Freddy George, who was first out on Thursday at 7.30 am in a first round that was completed roughly 13 hours later).

Having "invested" a modest fiver each way on Jack Nicklaus in a betting shop in nearby Musselburgh on Wednesday, purely and simply because I considered it an affront that the great man was on offer at 40-1, I had been regaling my elderly compadres with a story of my first meeting with Nicklaus at Muirfield at the Walker Cup match in May 1959.

Nicklaus was a distinctly pudgy 19-year-old at the time, and I heard him long before setting eyes on him in the comfortable clubhouse of the Honourable Company of Edinburgh Golfers.

That gratingly high-pitched voice—not distinctly lowered by the passing of the years—was loudly bemoaning the fact that "they don't have a decent steak here, or any central heating." Goodness knows it was cold, misty and damnably damp that week. But as one who had cowered in an air raid shelter for several years of lost childhood during the second world war, I was offended by both sight and sound of this then crew-cut youngster and his equally burly foursome partner, Ward Wettlaufer.

The golf of this pair and their teammates was devastating, however, an dtwo days later the British and Irish were licking their wounds after yet another humiliating defeat at the hands of the American cup holders.

The following week I was to watch Nicklaus fail to win the Amateur Championships at Royal St George's, Sandwich, one of the very few blemishes on his incomparable record. His Walker Cup teammate, Deane Beman, than a stubby crew-cut youngster, beat yet another American team member, big Bill Hyndman, in the 36-hole final.

Dry weather had scorched the great Kent links to a crisp and Beman, outdriven by up to 100 yards from practically every tee, gave maybe the greatest day-long putting exhibition I ever witnessed in beating Hyndman by 3 and 2. I did not see Nicklaus play again as an amateur, but have since, like practically everyone else, come to revere him as a professional and a gentleman.

There was hardly time to draw breath before returning to Muirfield for the Open Championship a month later. In bygone days the qualifying rounds were played at the championship venue itself—not on a selection of largely unworthy nearby goat tracks. Those successful over 36 holes on Monday and Tuesday then played on Wednesday and Thursday before the cut was made, and the survivors went at it over the final 36 holes on Friday.

In those days the leaders were not sent out last, and it was mightily difficult to decide who had won until it was all over. But South Africa's Gary Player, then 23, knew he was in with a very good chance early in the afternoon, though it seemed to him as if he had thrown everything away at the 72nd hole when he finished with a most untidy double bogey six.

One of the most poignant photographs in my prized collection shows Player weeping inconsolably and leaning on his loyal wife Vivienne's shoulder at the recorder's tiny hut.

Player returned, apparently heartbroken, to his hotel room in North Berwick. There he was awakened three hours later by his sponsor, the late and much lamented South African sports benefactor, George Blumberg, who told Gary that the trophy was his if he cared to return to collect it.

Getting down to the job: Titleholder Greg Norman takes a long, low look

Fred Bullock, a teaching professional from Prestwick who had led Player by seven shots —68 to 75—after the first round, had fallen apart to tie with the elegant Belgian Flory van Donck for second place four strikes behind the little South African, who thereby won his first major title of a momentus and still far from completed career.

In 1966 at Muirfield, Nicklaus finally won the Open Championship in a virtual drought, cannily foresaking his driver for a one iron on fairways baked so hard that they were easily capable of skittishly shrugging off any golf ball loosely hit into almost hip high rough.

Nicklaus's triumph represented a particularly tragic personal happening for your faithful correspondent. I had "trained" the Welshman Dave Thomas, runner-up to Peter Thomson in the 1958 Open at Royal Lytham, especially for the occasion.

All winter long I forced my neighbour and close friend unwillingly to pound the pathways in Dunham Forest, Cheshire, as we reduced our respectively heroic frames to more respectable proportions.

Alas, Thomas was to tie for second place again, this time with the colourful American Doug Sanders, and I was peremptorily dismissed as a trainer, only to turn biographer.

In 1972 we returned to Muirfield to witness Lee Trevino's unlikely but successful defence of the title he had won at Royal Birkdale the previous July. By then I had become accustomed to following Tony Jacklin's triumphant progress around the world of golf on behalf of the readers of this newspaper, and it seemed that victory was Jacklin's for the taking when, on the 71st tee, Trevino was twice forced to back away from his drive by a photographer, who eventually succeeded in darting across the fairway.

Trevino turned to me when his eventual tee shot hit a bunker and said: "That goddam photographer has cost me my title."

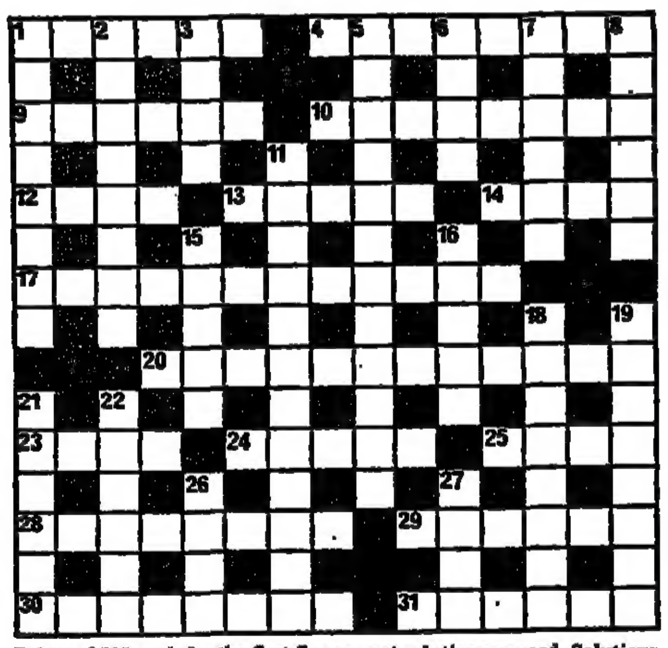
Lee bunted three shots casually down the right hand rough, muttering many Latin oaths along the way, and then, having previously holed two chip shots and a pitch from a bunker in previous rounds, casually chipped his ball straight into the hole from an impossible position.

It was clear to me, and Trevino readily agreed later, that he had concentrated not at all on the shot in question. Jacklin, who knew this for a fact, was plainly unnerved, took three sorry putts, dropped another stroke quite understandably at the last hole and, by his own admission, was never again to be reckoned with in major championships.

Tom Watson won the last Open to be played at Muirfield, in 1980, with considerable ease. How fitting it would be if he could equal Harry Vardon's record of six Open victories tomorrow evening. But I think that is an unlikely happening because I believe we are in for a surprise. It is my opinion that we are about to see the first real outsider to win at Muirfield since Alf Perry in 1935.

FT CROSSWORD PUZZLE No. 6,381

DINMUTZ



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

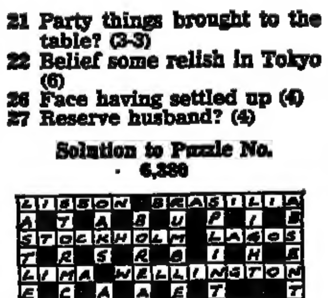
ACROSS

1 Tennis player, having changed end, was murdered in the service (6)
4 Second gymnast to hit the blocks? (8)
9 Memorised books on King of Britain (6)
10 Whole triangle parts amended (8)
12 Dandies in loud military exercises (4)
13 As sick as a dog (5)
14 Hollow warning of schoolboys (4)
17 He knows about scales coming from the gar or carp (12)
20 Suffering pain, eat cacti and lay up (12)
23 Response from the chorus (4)
24 Gave up like top Wimbledon players, we hear (5)
25 Charges of a chemist reduced (4)
28 Once a week (8)
29 He got the highest rent from Casca (6)
30 Slope, he created, dipping bread in drink (8)
31 Island home of lemons going off (6)

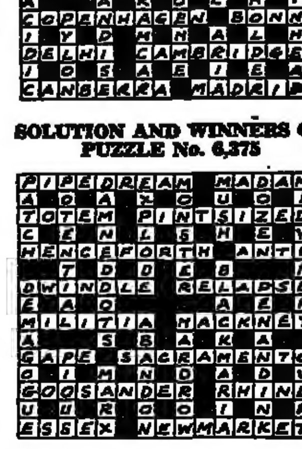
DOWN

1 Insolence displayed by printers? (4, 4)
2 Opening Christmas baskets, will you find a bottle of this? (8)
3 Bird hiding in other nests (4)
5 One in court upsetting parents in Ely (6-6)
6 This manner sounds petty (4)
7 Lasso disturbed a trail (6)
8 Deliverance from outstanding art-form (6)
11 Craft of Masefield in his office? (12)
15 Dot, Mark or Bill (5)
16 This girl felt unwell getting up (5)
18 Standard means to churn cheese (8)
19 Dances in American bars (6)
21 Party things brought to the table? (3-3)
22 Belief some relish in Tokyo (6)
26 Face having settled up (4)
27 Reserve husband? (4)

Solution to Puzzle No. 6,380



SOLUTION AND WINNERS OF PUZZLE No. 6,375



SOLUTION AND WINNERS OF PUZZLE No. 6,375

Ms Catherine Albers, Newcastle-upon-Tyne; Mrs. E. Farrell, Warrington, Cheshire; Mr David McBean, Middleton-on-Sea, Sussex; Mr Peter Barnes, Bournemouth, Hampshire; Mr A. R. McCrae, Port Erin, Isle of Man.

TELEVISION AND RADIO

SATURDAY

† indicates programme in black and white

BBC 1

6.45 am Open University. 8.30 The Family Ness. 8.35 Dogtanian and the Three Muskehounds. 9.00 It's Wicked! 10.50† Film: "So This is Harris." 11.20 Film: "Down Among the Z Men," starring Peter Sellers. 12.30 pm Grandstand with Steve Rider. Golf: "The Open. 6.45 News, Weather.

7.00 Film: "Sam Whiskey," starring Burt Reynolds and Angie Dickinson. 8.35 Les Dennis's Laughter Show. 9.10 Bluebell. 10.05 News and Sport. 10.20 Miami Vice. 11.55 Film: "Inside Out."

BBC 2

6.50 am Open University. 2.30 pm No Limits. 4.00 Film: "The Adventures of PC 49." 5.00 The Sky at Night. 5.25 Film: "Dick Barton—Special Agent."

6.35 pm Discovering Portuguese. 7.00 Newsview. 7.40 Points in Space danced by the Merce Cunningham Dance Company. 8.35 Film: "Follow the Fleet," starring Fred Astaire, Ginger Rogers, Randolph Scott and Betty Grable. 10.20 On Stage. 10.45 Golf. 11.25 Film: "Quatermass and the Pit."

LONDON

6.55 am TV-am. 9.25 Get Fresh. 11.30 The Roxy. 12.00 News from ITN. 12.05 pm Wrestling. 1.00 Balham: Gateway To The South. 1.30 Lone Rider. 2.00 Crown Green Bowling. 5.00 News from ITN. 5.05 Walt Disney Presents . . . Donald Duck/Donald's Nephew. 5.15 Champion Blockbusters. 6.00 Cue Gary. 6.45 Kate and Ted's Show. 7.15 5 Alive. 7.45 Family Fortunes. 8.15 Summertime Special. 9.15 News from ITN. 9.30 Bulman. 10.30 Clive James at the Playboy Mansion. 11.30 LWT News Headlines, followed by 9 to 5 (1980), starring Jane Fonda, Lily Tomlin and Dolly Parton.

CHANNEL 4

9.30 am Pets in Particular. 10.00 Moneyspinner. 10.30 The Living Body. 11.00 The World — A Television History. 11.30 Dancin' Days. 12.25 pm †Sea War. 12.55 Murun Buchstansangur. 1.00 †Film: "Calcutta" (1946). 2.30 Nights In The Gardens Of Spain. 3.05 Channel 4 Racing from Newmarket. 5.05 Brookside Omnibus.

6.00 Right To Reply. 6.30 1987 Tour De France. 7.00 News Summary and Weather followed by Archbishop Milingo: The Debate. 7.30 Bandung File. 8.30 All Muck and Magic? 9.00 Nights and Days. 10.00 St Elsewhere. 11.00 Arthur and Phil Go Off. 11.45 Film: "The Creature Walks Among Us." 1.15 am †The Love Goddesses.

S4C WALES

9.45 am International Gymnastics. 10.30 Moneyspinner. 11.00 A Week In Politics. 11.45 What The Papers Say. 12.00 Six Centuries of Verse. 12.30 pm Space Craft. 1.00 Film: "Return To Yesterday."†. 2.15 Ras Yr Wyddfa. 4.10 Racing from Newmarket. 5.00 The Struggles For Poland. 6.00 Right To Reply. 6.30 Tour de France 1987.

7.05 The Dragon Has Two Tongues. 7.35 Newyddion. 7.50 Siarabang. 8.20 Cyfiel 9.20 Ras Yr Wyddfa. 10.00 Twilight Zone. 10.30 The Best of Paul Hogan. 11.00 Arthur and Phil Go Off . . 11.45 Film: "The Creature Walks Among Us." 1.15 am Film: †The Love Goddesses.

IBA regions as London except:

ANGLIA

1.00 pm Diff'rent Strokes. 1.25 am Personal View.

BORDER

11.30 pm Hunter. 12.30 Border Weather.

CENTRAL

6.10 am Central Jobfinder '87. 1.00 pm Star Fleet. 1.30 am *Prisoner Cell Block H.* 2.25 Beat Girl. 4.00 Central News followed by Jobfinder.

CHANNEL

1.00 pm Terrahawks. 1.25 am Weather Outlook.

GRAMPIAN

1.00 pm Small Wonder. 11.30 Queen Live in Rio. 12.30 am Reflections.

GRANADA

1.00 pm The Munsters. 6.45 5 Alive. 7.15 Kate and Ted's Show.

HTV

1.00 pm Exploration and Adventure. 11.30 Downtown.

SCOTTISH

1.00 pm Small Wonder. 1.30 am Late Call.

TSW

1.00 pm Tightlines. 1.15 Karate Spirit. 5.07 The Smurfs. 11.30 Meltdown. 12.40 am Postscript. 12.45 Weather and Shipping Forecast.

TVS

6.55 am Good Morning Britain. 1.00 pm Terrahawks. 5.00 ITN News followed by TVS News. 1.25 am Company.

TYNE TEES

1.00 pm Knight Rider. 1.30 am Poetry of the People.

ULSTER

1.00 pm Crazy World of Sport. 5.03 Ulster News. 12.00 Sports Results. 12.05 am News at Bedtime.

YORKSHIRE

1.00 pm Robo Story. 1.00 am *Film: "The Devil's Rain," starring Ernest Borgnine. 3.05 Jobfinder.*

Stereo on VHF

BBC RADIO 2

5.05 am Gerald Harper. 10.00 Sounds of the 60s. 11.00 Album Time. 1.00 pm Wise on the Wireless. 1.30 Sport on 2 at The Open. 7.00 Three in a Row. 7.30 Music of a People. 8.30 String Sound. 10.05 Martin Kelner. 12.05 am Night Owls with Dave Gelly. 1.00 Bill Rennells presents Nightride. 3.00 A Little Night Music.

BBC RADIO 3

7.00 am News. 7.05 Morning Concert. Strauss (mono), Tartini arr Kreisler. Bax, Elgar; 8.00 World Service News; 8.10 Fibich, Arthur Foote (mono), Czerny, Scarlatti arr Tommasini; records. 9.00 News. 9.05 Stereo release. 10.55 Liszt. 11.30 Haydn and Strauss. 1.00 pm News. 1.05 Annie Fischer Plays Schumann. 2.00 Maria Callas. 5.00 Jazz Record Requests with Peter Clayton. 5.45 Himalaya. 6.30 Grieg Piano Music played by Daniel Adni. 7.00 Music and Sweet Poetry. 7.30 Proms 87. 8.20 Prom Preview. 8.40 Proms 87. 9.45 Karine Georgian and Ian Brown. 10.35 BBC Singers at St John's. 11.57 News.

BBC RADIO 4

7.00 am Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 News; Loose Ends. 11.00 The Week in Westminster with Peter Riddell, Political Editor of the Financial Times. 11.27 From Our Own Correspondent. 12.00 News; Taste of the East. 12.25 pm Quote . . . Unquote (S). 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping forecast. 2.00 News; Second Edition. 3.00 News; The Afternoon Play: "The Somebody," by Bloke Modisane. 4.30 SO4 (Science on 4). 5.00 The Living World. 5.25 Week Ending.

5.50 Shipping forecast. 5.55 Weather; Travel. 6.00 News; Sports Round-up. 6.25 Stop the Week with Robert Robertson (S). 7.00 Saturday Night Theatre: "A Touch of Daniel," by Peter Tinniswood (S). 8.30 Baker's Dozen. 9.30 Thriller! "A Fatal Inversion," by Ruth Rendell. 9.50 Ten to Ten. 10.00 News. 10.15 In Keeping with Tradition. 10.30 Braden Beside Himself. 11.00 Even Looser Ends. 12.00 News; Weather. 12.33 am Shipping forecast.

Kate Robbins and brother Ted in Kate and Ted's Show: ITV, Saturday night

SUNDAY

† indicates programme in black and white

BBC 1

8.55 am Play School. 9.15 Articles of Faith. 9.30 This is the Day. 10.00 Wildlife on One: At Home With Badgers. 10.25 Antiques at Home. 10.55 The Healing Arts. 11.45 Favourite Walks. 12.10 pm See Hear. 12.35 Farming. 12.58 Weather for farmers. 1.00 News Headlines.

1.05 Bonanza. 1.50 Cartoon. 2.00 Eastenders. 3.00 Film: "Jupiter's Darling." 4.35 How Bugs Bunny Won the West. 5.00 The Mupet Show. 5.25 Aled. 5.55 Steam Days. 6.25 News. 6.40 Home on Sunday. 7.15 Screenstory: Whose Baby. 8.50 Bread. 9.25 Hemingway. 10.25 News. 10.40 Choices. 11.20 When in Spain.

BBC 2

1.30 pm Sunday Grandstand: Golf—The Open. 6.50 It's Garry Shandling's Show. 7.15 Favourite Things. 7.45 The Gershwin Years. 9.25 Film: "Hollywood Cowboy." Starring Jeff Bridges. 11.05 Golf. 11.45 The Week in The Lords.

LONDON

6.55 am TV-am. 9.25 Wake Up London. 9.30 Professor Poopsnaggle's Steam Zeppelin: Commando Raid. 11.00 Morning Worship. 12.00 Jobwatch. 12.30 Easy. 1.00 Police 5. 1.15 The Smurfs. 1.30 Link. 2.00 Father Tom. 2.30 LWT News Headlines followed by Film: "Madness Of The Heart" (1949) starring Margaret Lockwood. 4.15 The Smurfs. 4.30 The Honey Siege. 5.00 Turning The Tide. 5.30 Benson. 6.00 The Duke and Duchess of York in Canada. 6.30 News From ITN. 6.40 Sing Out. 7.15 Tarby's Frame Game. 7.45 Flying Lady.

8.45 News From ITN. 9.00 Floodtide. 10.00 Watching. 10.30 The Jimmy Young Television Programme. 11.15 pm LWT News Headlines followed by The Silk Road. 12.10 am Derrick.

CHANNEL 4

9.25 am Darwaza. 10.00 Bandung File. 11.00 The Waltons. 12.00 pm Network 7. 2.00 Nature in Focus. 2.30 Film: The Benny Goodman Story (1956). 4.45 The Dream That Kicks—Wales And The Cinema. 5.15 News Summary and Weather followed by Universiade 87—Zagreb.

6.15 1987 Tour de France. 7.15 The Struggles For Poland. 8.15 Invisible Workers. 9.15 Leaving Home. †10.15 Film: "To Each His Own."

S4C WALES

10.00 am Bandung File. 11.00 The Waltons. 12.00 Network 7. †2.00 pm Feature Film: "Broken Lullaby (1932). 3.30 To The Western World. 4.15 Archbishop Milingo. 5.15 Universiade '87—Zagreb. 6.15 Tour de France 1987, Stage 18. 7.20 Newyddion.

7.30 Cais Am Gan. 8.00 Fo A Fe—Helynt y Ddrama. 8.30 Cadw'r Oed. 9.00 Mamatz. 9.45 Nights And Days. †10.45 Film: "Monkey Business," starring Cary Grant.

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ANGLIA

9.25 am Cartoon Time. 1.00 pm The Duke and Duchess of York's Tour of Canada. 1.25 Weather Trends. 1.30 Farming Diary. 2.30 Film: "The 300 Spartans." 5.30 Pass The Buck. 6.00 Heritage In The East. 11.15 Meltdown. 12.15 Telling The Tale.

BORDER

1.00 pm Farming Outlook. 2.30 The Duke and Duchess of York's Tour of Canada. 3.00 Matinee: "Run Rebecca, Run." 5.30 Highway to Heaven. 11.15 The Silk Road.

CENTRAL

6.10 am Central Jobfinder '87. 1.30 pm The Duke and Duchess of York in Canada. 2.30 *Film:* "Anastasia," starring Ingrid Bergman. 5.30 Highway to Heaven.

11.15 Prisoner Cell Block H. 12.10 am The Michael Caine Movie: "Harry and Walter Go To New York." 2.15 The Movie Makers. 2.45 Central News.

CHANNEL

9.28 am Starting Point. 1.00 pm Les Francais Chez-Vous. 2.30 Sunday Matinee: "The Password is Courage." 5.30 Highway to Heaven. 6.25 Channel News Headlines and Weather. 11.15 Connie.

GRAMPIAN

9.25 am Crystal Tipps and Alistair. 11.00 *Cartoon.* 11.05 The Year Was—"1982—Jilly Cooper." 1.00pm Farming Outlook. 1.30 Sixth Sense. 2.30 Film: "Houdini" starring Tony Curtis. 5.30 Terrahawks.

GRANADA

1.00 pm Members only. 1.05 Aap Kaa Hak. 1.10 Turning the Tide. 1.40 This is Your Right. 2.30 Sunday Matinee: "Harry Black and the Tiger." 5.00 Cartoon. 5.05 The Love Boat. 11.15 Worlds Beyond.

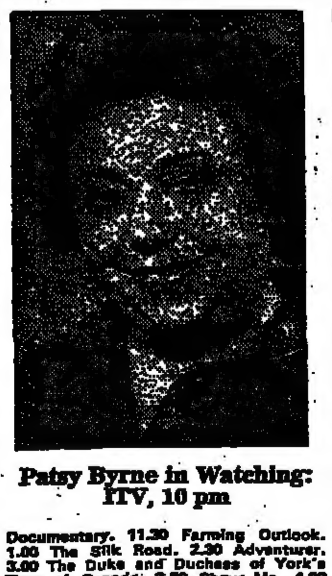
HTV

9.25 am Max the 2000 year old Mouse. 1.00 pm Farming Wales followed by Weather for Farmers. 2.30 †The Sunday Matinee: "The Intruder." 4.00 The Duke and Duchess of York in Canada.

5.30 The Adventures of a Lady. 6.36 HTV News. 11.15 Connie.

SCOTTISH

9.25 am Gagomania. 11.00 Sunday Documentary. 11.30 Farming Outlook. 1.00 The Silk Road. 2.30 Adventurer. 3.00 The Duke and Duchess of York's Tour of Canada. 3.30 Show Me. 4.00 Mary. 5.30 Highway To Heaven. 11.20 Meltdown.



Patsy Byrne in Watching: ITV, 10 pm

TSW

9.25 am Look and See. 1.00 pm The South West Week. 1.20 pm Farming News. 2.30 pm The Sunday Matinee: "The Assassination Bureau," starring Oliver Reed. 4.30 pm Gardens For All.

TVS

9.25 am Employment Action. 1.00 pm Agenda. 2.30 The Sunday Matinee: "The Password is Courage." 5.30 Survival. 6.25 TVS News. 11.15 Connie. 12.15 am Company.

TYNE TEES

9.25 am Hello Sunday. 1.00 pm Farming Outlook. 1.30 Face the press. 2.30 Film: "Four For Texas." 5.30 Short Story Theatre. 11.15 PSA Special Report. 11.30 Show Express.

ULSTER

9.25 am Cartoon Time. 1.00 Link. 1.30 pm The Royal Tour. 1.58 Farming Weather. 2.30 Film: "Anastasia," starring Ingrid Bergman. 11.15 Sports Results. 11.20 GAA Football—Ulster Championship. 12.15 News At Bedtime.

YORKSHIRE

9.25 am Cartoon Time. 9.30 The Care Bears. 10.00 Peppino. 10.30† Fireball XL5. 1.25 pm Farming Diary followed by Farming and Inshore Weather. 2.30 The Great Yorkshire Show. 3.00† Film: "The Desert Rats." 5.00 Highway to Heaven.

Stereo on VHF

BBC RADIO 2

4.00 am David Sussey. 6.00 Graham Knight. 7.30 Roger Royle says "Good Morning Sunday." 9.05 Melodies For You. 11.00 Desmond Carrington. 2.00 Sunday Sport At The Open. 6.30 Anne Ziegler. 7.35 Grand Hotel. 8.30 Sunday-Half Hour. 9.00 Your Hundred Best Tunes. 10.05 Songs From The Shows. 10.45 Penelope Thwaites. 11.00 Sounds Of Jazz. 1.00 am Bill Rennells presents "Nightride." 3.00 A Little Night Music.

BBC RADIO 3

7.00 News. 7.05 Abel, J C Bach and Friends. 8.00 World Service News. 8.10 Theme and Variations. 9.00 News. 9.05 Your Concert Choice. 10.45 Prom Talk (new series). 11.15 Debussy and Beethoven. 12.15 pm South West German Radio Symphony Orchestra conducted by Christopher Hogwood. 1.35 Szymanowski. 1.55 Cheltenham Festival 1987. 3.20 From The Dresden Festival. 5.15 Himalaya. 6.00 Fritz Kreisler. 7.00 A Little About You, Yosip. 7.30 Proms 87. 7.55 Cage's Irish Circus. 8.25 Proms 87. 9.40 A Shock in the Chaparral. 9.50 Albany Brass Ensemble. 10.10 Music and Sweet Poetry. 10.50 Bournemouth Sinfonietta Plays Mozart. 11.57 News.

BBC RADIO 4

7.00 am News. 7.10 Sunday Papers. 7.15 Waterlines. 7.40 Sunday. Religious news and views from home and abroad, including 7.55 Weather; Travel. 8.00 News. 8.10 Sunday Papers. 8.50 The Week's Good Cause. 8.55 Weather; Travel. 9.00 News. 9.10 Sunday Papers. 9.15 Letter From America by Alistair Cooke. 9.30 Morning Service. 10.15 The Archers. 11.15 News Stand. 11.30 Pick of the Week (S). 12.15 pm Desert Island Discs. 12.55 Weather. 1.00 The World this Weekend. 1.55 Shipping Forecast. 2.00 A Small Country Living. 2.30 The Afternoon Play: "Never Been Kissed in the Same Place Twice." 3.30 Passport to Wales. 4.00 News; Enterprise (new series). 4.30 The Natural History Programme.

5.00 News; Travel; Take A Place Like. . . . 5.40 Anything You Can Do. 5.50 Shipping forecast. 5.55 Weather; Travel. 6.00 News. 6.15 Feedback. 6.30 International Assignment. 7.00 East Lynne. 8.00 A Good Read. 8.30 A Word in Edgeways. 9.00 News; A Lexicon of Laughter. 9.30 Law in Action. 9.59 Weather. 10.00 News. 10.15 Victoria. 11.00 Seeds of Faith. 11.15 Ghost Story. 11.30 Hermione. 12.00 News; Weather. 12.33 am Shipping forecast.